

NEW ISSUE
BOOK-ENTRY-ONLY

PRELIMINARY OFFICIAL STATEMENT

\$17,635,000*
CITY OF JOHNSON CITY, TENNESSEE
General Obligation Refunding Bonds, Series 2026A

OFFERED FOR SALE NOT SOONER THAN

Wednesday, May 6, 2026 at 10:15 A.M. E.D.T.
Through the Facilities of *PARITY*[®]



SINCE 1931

CUMBERLAND SECURITIES
INDEPENDENT FINANCIAL ADVISOR

April 28, 2026

*Preliminary, subject to change.

This *Preliminary Official Statement* and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the *Official Statement* is delivered in final form. Under no circumstances shall this *Preliminary Official Statement* constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 28, 2026

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: Moody's – "Aa2"
(See "MISCELLANEOUS-Rating" herein)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds (i) will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax, except as described under the heading "LEGAL MATTERS-Tax Matters" herein.

\$17,635,000*
CITY OF JOHNSON CITY, TENNESSEE
General Obligation Refunding Bonds, Series 2026A

Dated: Date of delivery (assume May 29, 2026).
below.

Due: June 1, as shown

The \$17,635,000* General Obligation Refunding Bonds, Series 2026A (the "Bonds") issued by the City of Johnson City, Tennessee (the "City") are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal, and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2026 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of U.S. Bank Trust Company, National Association, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. The Bonds shall be additionally payable from and secured by a pledge of revenues derived from the one-fourth (1/4th) cent increase in the retail sales and use tax levied and collected by Washington County, Tennessee, pursuant to Sections 67-6-701 et seq. Tennessee Code Annotated, and resolution of the Board of County Commissioners of Washington County at a referendum held on May 3, 1994 (the "Sales Tax Revenues"), in amounts not exceeding the amounts required to make such payments due with respect to such amounts subject to a prior pledge of such Sales Tax Revenues in favor of the City's outstanding Series 2022 Bonds and Series 2020 Bonds secured by the Sales Tax Revenues (collectively, the "Prior Lien Bonds") but on a parity and equality of lien with any other bonds, notes or loan agreements hereinafter issued or entered into as to which such tax revenues are pledged. See section entitled "SECURITIES OFFERED – Security".

The Bonds maturing June 1, 2033 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2032.

<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2027	\$2,020,000				2031	\$2,235,000			
2028	2,075,000				2032	2,285,000			
2029	2,125,000				2033	2,345,000			
2030	2,175,000				2034	2,375,000			

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire *Preliminary Official Statement* to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon by Blake Watson, Esq., Senior Staff Attorney. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about May __, 2026.

Cumberland Securities Company, Inc.
Municipal Advisor

May __, 2026

*Preliminary, subject to change.

This *Preliminary Official Statement* speaks only as of its date, and the information contained herein is subject to change.

This *Preliminary Official Statement* may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this *Preliminary Official Statement*, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this *Preliminary Official Statement*. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This *Preliminary Official Statement* and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This *Preliminary Official Statement* does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained in this *Preliminary Official Statement*, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Municipal Advisor or the Underwriter. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

**Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Issuer makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF JOHNSON CITY, TENNESSEE

CITY OFFICIALS

Honorable Greg Cox, Jr	<i>Mayor</i>
Cathy Ball	<i>City Manager</i>
Steve Willis	<i>Deputy City Manager</i>
Nick Geis	<i>Assistant City Manager</i>
Alicia Summers	<i>Assistant City Manager</i>
Stephanie Laos	<i>Finance Director / City Recorder</i>
Thomas J. Seeley, Esq.	<i>City Attorney</i>
Blake Watson, Esq.	<i>Senior Staff Attorney</i>

BOARD OF COMMISSIONERS

Jenny Brock, Vice-Mayor
Todd Fowler, Commissioner
Whitney Goetz, Commissioner
Joe Wise, Commissioner

BOND REGISTRATION AND PAYING AGENT

U.S. Bank Trust Company, National Association
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed, or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

- The IssuerCity of Johnson City, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
- Securities Offered.....\$17,635,000* General Obligation Refunding Bonds, Series 2026A (the “Bonds”) of the City, dated the date of issuance (assume May 29, 2026). The Bonds mature each June 1 beginning June 1, 2027, through June 1, 2034, inclusive. See the section entitled “SECURITIES OFFERED” herein for additional information.
- SecurityThe Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. The Bonds shall be additionally payable from and secured by a pledge of revenues derived from the one-fourth (1/4th) cent increase in the retail sales and use tax levied and collected by Washington County, Tennessee, pursuant to Sections 67-6-701 et seq. Tennessee Code Annotated, and resolution of the Board of County Commissioners of Washington County at a referendum held on May 3, 1994 (the “Sales Tax Revenues”), in amounts not exceeding the amounts required to make such payments due with respect to such amounts subject to a prior pledge of such Sales Tax Revenues in favor of the City’s outstanding Series 2022 Bonds and Series 2020 Bonds secured by the Sales Tax Revenues (collectively, the “Prior Lien Bonds”) but on a parity and equality of lien with any other bonds, notes or loan agreements hereinafter issued or entered into as to which such tax revenues are pledged.
- PurposeThe Bonds are being issued for the purpose of refinancing, in whole, (i) the City’s outstanding Loan Agreement, Series VII-I-1, dated December 1, 2010, and the related Local Government Public Improvement Bonds, Series VII-I-1, dated December 29, 2010, issued by the Public Building Authority of Sevier County, Tennessee, maturing June 1, 2027 and thereafter (the “Outstanding Indebtedness”) and (ii) payment of the costs related to the issuance and sale of the Bonds.
- Optional RedemptionThe Bonds maturing June 1, 2033 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2032.
- Tax Matters.....In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax, except as described under the heading “LEGAL MATTERS-Tax Matters” herein.
- Rating.....Moody’s: “Aa2”. See the section entitled “MISCELLANEOUS - Rating” for more information.
- Municipal Advisor.....Cumberland Securities Company, Inc., See the section entitled “MISCELLANEOUS-Municipal Advisor; Related parties; Other” herein.
- Underwriter....._____.
- Bond CounselBass, Berry & Sims PLC, Knoxville, Tennessee.
- Book-Entry-Only.....The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System”.

*Preliminary, subject to change.

Registration Agent.....U.S. Bank Trust Company, National Association, Nashville, Tennessee.

General.....The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.

DisclosureIn accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”

Other Information.....The information in this *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omissions of certain pricing information allowed to be omitted pursuant to such Rule 15c2-12. For more information concerning the City or this *Preliminary Official Statement*, contact Mr. Steve Willis, Assistant City Manager or Ms. Stephanie Laos, Finance Director, 601 East Main Street, Johnson City, Tennessee, 37605, Telephone: (423) 434-6033; or the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding **BiDCOMP™/PARITY®** may be obtained from **PARITY®**, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800-850-7422.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances
For the Fiscal Year Ended June 30

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Beginning Fund Balance	\$35,120,517	\$45,438,220	\$52,953,945	\$57,578,485	\$54,862,838
Revenues	98,451,952	104,246,264	111,567,666	116,034,576	120,208,170
Expenditures	66,149,597	68,022,091	83,647,200	85,956,710	92,212,948
Other Financing Sources:					
Transfers In	701,918	893,901	3,278,970	1,275,576	3,003,768
Transfers Out	(22,940,941)	(30,117,995)	(28,194,630)	(32,859,296)	(28,846,049)
Capital Lease	-	266,996	48,359	-	-
Sale of Equipment or Real Estate	254,371	225,314	3,611	1,120,964	1,816,621
Bond/Note/Lease Proceeds	-	-	1,567,764	-	-
Extraordinary Item – Legal Settlement	-	-	-	-	(27,000,000)
Adjustments	-	23,336	-	(2,330,757)	(465,719)
Ending Fund Balance	<u>\$45,438,220</u>	<u>\$52,953,945</u>	<u>\$57,578,485</u>	<u>\$54,862,838</u>	<u>\$31,366,681</u>

Source: Annual Comprehensive Financial Reports of the City of Johnson City, Tennessee.

SUMMARY NOTICE OF SALE

\$17,635,000*

CITY OF JOHNSON CITY, TENNESSEE General Obligation Refunding Bonds, Series 2026A

NOTICE IS HEREBY GIVEN that the Mayor of the City of Johnson City, Tennessee (the “City”) will receive electronic or written bids until **10:15 a.m. E.D.T. on Wednesday, May 6, 2026**, for the purchase of all, but not less than all, of the City's \$17,635,000* General Obligation Refunding Bonds, Series 2026A (the “Bonds”). Electronic bids must be submitted through **PARITY**[®] as described in the “Detailed Notice of Sale”. In case of written bids, bids will be received by the City’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY**[®] System not later than 9:45 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY**[®] System.

Electronic bids must be submitted through **PARITY**[®] via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale, and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY**[®] shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY**[®] conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume May 29, 2026). The Bonds will mature on June 1 in the years 2027 through 2034, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing December 1, 2026, and will be subject to optional redemption prior to maturity on June 1, 2032. Bidders must bid not less than one hundred percent (100.00%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the City by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. **No rate or rates bid for the Bonds shall be less than four percent (4.00%) or exceed five percent (5.00%) per annum. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par.** Unless bids are rejected, the Bonds will be awarded by the Mayor of the City on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds and complies with all of the bid parameters outlined in this Summary Notice of Sale and the Detailed Notice of Sale.

In the event that the competitive sale requirements of applicable Treasury Regulations are not met, the City will require bidders to comply with the “hold-the-offering-price rule” or the “10% Test” for purposes of determining the issue price of the Bonds as described in the Detailed Notice of Sale. Bids will not be subject to cancellation in the event that the competitive sale requirements of applicable Treasury Regulations are not satisfied.

Additional information, including the *Preliminary Official Statement* in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the City’s Municipal Advisor, Cumberland Securities Company, Inc., (865) 988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Greg Cox, Jr.
Mayor

DETAILED NOTICE OF SALE

\$17,635,000*

CITY OF JOHNSON CITY, TENNESSEE
General Obligation Refunding Bonds, Series 2026A

NOTICE IS HEREBY GIVEN that the Mayor of City of Johnson City, Tennessee (the "City") will receive electronic or written bids until 10:15 a.m. E.D.T. on Wednesday, May 6, 2026, for the purchase of all, but not less than all, of the City's \$17,635,000* General Obligation Refunding Bonds, Series 2026A (the "Bonds").

Description of the Bonds. The Bonds will be issued in fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance (assume May 29, 2026), bear interest payable each June 1 and December 1, commencing December 1, 2026 be issued, or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature and be payable as follows:

Table with 4 columns: YEAR (JUNE 1), AMOUNT*, YEAR (JUNE 1), AMOUNT*. Rows for years 2027-2034 with corresponding amounts.

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the "Book-Entry-Only System").

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the City, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the

Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) and the City and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. The Bonds shall be additionally payable from and secured by a pledge of revenues derived from the one-fourth (1/4th) cent increase in the retail sales and use tax levied and collected by Washington County, Tennessee, pursuant to Sections 67-6-701 et seq. Tennessee Code Annotated, and resolution of the Board of County Commissioners of Washington County at a referendum held on May 3, 1994 (the “Sales Tax Revenues”), in amounts not exceeding the amounts required to make such payments due with respect to such amounts subject to a prior pledge of such Sales Tax Revenues in favor of the City’s outstanding Series 2022 Bonds and Series 2020 Bonds secured by the Sales Tax Revenues (collectively, the “Prior Lien Bonds”) but on a parity and equality of lien with any other bonds, notes or loan agreements hereinafter issued or entered into as to which such tax revenues are pledged.

Municipal Bond Insurance. The City has provided information to prospective bond insurance companies in order to qualify the Bonds under their respective optional bidding programs. If the successful bidder or bidders for the Bonds desires to purchase a municipal bond insurance policy insuring payment of all or a portion of the debt service payable on the Bonds, the successful bidder or bidders does so at its own risk and expense and the obligation of the successful bidder to pay for such series Bonds shall not be conditioned on the issuance of a municipal bond insurance policy. The City will cooperate with the successful bidder(s) in obtaining such insurance, but the City will not enter into any additional agreements with a bond insurer. Without limiting the generality of the foregoing, the successful bidder(s) will be responsible for all costs, expenses and charges associated with the issuance of such insurance, including but not limited to the premium for the insurance policy, and excluding only the fees of Moody’s that will be paid by the City.

Purpose. The Bonds are being issued for the purpose of refinancing, in whole, (i) the City’s outstanding Loan Agreement, Series VII-I-1, dated December 1, 2010, and the related Local Government Public Improvement Bonds, Series VII-I-1, dated December 29, 2010, issued by the Public Building Authority of Sevier County, Tennessee, maturing June 1, 2027 and thereafter (the “Outstanding Indebtedness”) and (ii) payment of the costs related to the issuance and sale of the Bonds.

Optional Redemption. The Bonds maturing on June 1, 2033 and thereafter are subject to optional redemption prior to maturity at the option of the City on or after June 1, 2032, at any time at the redemption price of par plus accrued interest.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds (“Term Bonds”) bearing a single interest rate. If a successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the City at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the bid of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date.

Bidding Instructions. The City will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. **Bidders for each series of the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be less than four percent (4.00%) or be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the**

Bonds. Bidders must bid not less than one hundred percent (100.00%) of par or no more than one hundred and twenty-five percent (125%) of par. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par.

Electronic bids must be submitted through *PARITY*[®] via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by *PARITY*[®] shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in *PARITY*[®] conflict with the terms of this Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of *PARITY*[®] shall be deemed an offer to purchase in response to this Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by *PARITY*[®]. The use of *PARITY*[®] facilities are at the sole risk of the prospective bidders.

For further information regarding *PARITY*[®], potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY, 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process bidders may submit bids prior to the established date and time by FACSIMILE transmission sent to the City's Municipal Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The City and the Municipal Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Any written bids should be submitted by facsimile to the City's Municipal Advisor at 865-988-1863. Written bids must be submitted on the Bid Forms included with the *Preliminary Official Statement*.

The City reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted.

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor to the bidder whose bid complies with this Detailed Notice of Sale and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the Mayor shall determine in her sole discretion which of the bidders shall be awarded the Bonds.

After receipt of the bids, the City reserves the right to make adjustments and/or revisions to the Bonds, as described below.

Adjustment and/or Revision. While it is the City's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the Mayor reserves the right, in her sole discretion, to adjust down the original par amount of the Bonds by up to twenty-five percent (25%). The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. Among other factors the Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the City. Additionally, the Mayor reserves the right to change the dated date of the Bonds.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Daylight Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the City's Municipal Advisor (by wire transfer) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A wire transfer must be received by the City's Municipal Advisor no later than the close of business on the day following the competitive sale. The wire instructions will be sent to the winning bidder after all bids are received.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the City as liquidated damages.

In the event of the failure of the City to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Undertakings of the Successful Bidder. The successful bidder for the Bonds shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the City in writing (via facsimile transmission or electronic mail) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the City within 24 hours after award, furnish the following information to the City to complete the *Official Statement* in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the City that the Bonds were initially offered to the public).
- B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that the City determines is necessary to complete the *Official Statement* in final form.

After the award of the Bonds, the City will prepare copies of the final *Official Statement* and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the City will not include in the final *Official Statement* a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the City in all aspects for the accuracy and completeness of information provided by such successful bidders with respect to such reoffering.

The City expects the successful bidder to deliver copies of such *Official Statement* in final form (the "Final Official Statement") to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board ("MSRB") via the MSRB's Electronic Municipal Market Access System ("EMMA"). The successful bidder will be required to acknowledge receipt of the Final Official Statement, to certify that each has made delivery of the Final Official Statement to the MSRB, to acknowledge that the City expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Establishment of Issue Price

- a. The successful bidder shall assist the City in establishing the issue price of the Bonds as more fully described herein. All actions to be taken by the City under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the City by the Municipal Advisor, and any notice or report to be provided to the City may be provided to the Municipal Advisor.
- b. The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:
 1. the City shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
 2. all bidders shall have an equal opportunity to bid;
 3. the City expects to receive bids for the Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
 4. the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Detailed Notice of Bond Sale.

Any bid submitted pursuant to this Detailed Notice of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

- c. In the event that the Competitive Sale Requirements are not satisfied as to the Bonds, the City shall so advise the successful bidder. In such event, the City intends to treat the (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City promptly after the award of the Bonds if any maturities of the Bonds satisfy the 10% Test as of the date and time of the award of the Bonds. The Hold-the-Offering-Price Rule shall apply to all maturities that do not satisfy the 10% Test as of the sale date. Bids will not be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.
- d. By submitting a bid, in the event of application of the Hold-the-Offering-Price Rule, the successful bidder for the Bonds shall be deemed to have (i) confirmed that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
 1. the close of the fifth (5th) business day after the sale date; or
 2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

In the event of application of the Hold-the-Offering-Price Rule to any maturity of the Bonds, any successful bidder will advise the City promptly after the close of the fifth (5th) business day after the

sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

- e. By submitting a bid, each bidder confirms that:
 - (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:
 - (A) (1) to report the prices at which it sells to the public any unsold Bonds of each maturity allocated to it to which the Hold-the-Offering-Price Rule applies until the close of the fifth (5th) business day after the sale date and (2) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder and as set forth in the related pricing wires,
 - (B) to promptly notify the successful bidder of the Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public, and
 - (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.
 - (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity to which the Hold-the-Offering-Price Rule applies allocated to it until the close of the fifth (5th) business day after the sale date and (B) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder or the underwriter and as set forth in the related pricing wires.
- f. The City acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds.
- g. Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:
 - 1. “public” means any person other than an underwriter or a related party;

2. “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);
3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
4. “sale date” means the date that the Bonds are awarded by the City to the successful bidder.

Issue Price Certificate. The winning bidder will be required to provide the City, at closing, with an issue price certificate consistent with the foregoing and meeting the requirements of bond counsel. The form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Competitive Sale Requirements are met, and the form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit B if the Competitive Sale Requirements are not met.

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the City. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the City will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the City by not later than twelve months after each of the City's fiscal years (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (the “EMMA”) and any State Information Depository established in the State of Tennessee (the “SID”). If the City is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the City either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events are summarized in the *Preliminary Official Statement*.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days' notice will be given to the successful bidder of such delivery. Delivery will be made in book-entry-only form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the City. The City will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure

to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The City has deemed the *Preliminary Official Statement* to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the “SEC”) except for the omission of certain pricing and other information. The City will furnish the successful bidder at the expense of the City a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom each such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. Acceptance of a bid of the Bonds will constitute a contract between the City and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, this Detailed Notice of Sale and the Official Bid Form, may be obtained from the City’s Municipal Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York, 10018, Telephone: 212-849-5000.

/s/ Greg Cox, Jr., Mayor

EXHIBIT A

**CITY OF JOHNSON CITY, TENNESSEE
[§ _____ GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026A]**

**ISSUE PRICE CERTIFICATE
(if Competitive Sale Requirements are met)**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the City of Johnson City, Tennessee (the “Issuer”).

1. ***Reasonably Expected Initial Offering Price.***

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.
- (b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (c) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 6, 2026.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

EXHIBIT B

CITY OF JOHNSON CITY, TENNESSEE
[\$ _____ GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026A]

ISSUE PRICE CERTIFICATE
(if Competitive Sale Requirements are not met)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”) [and the other members of the underwriting syndicate (together, the “Underwriting Group”)], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the City of Johnson City, Tennessee (the “Issuer”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
 - (a) [SHORT NAME OF UNDERWRITER] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
 - (b) As set forth in the [Detailed Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the Hold-the-Offering-Price Rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.
3. ***Defined Terms.***
 - (a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
 - (b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the “Hold-the-Offering-Price Maturities.”
 - (c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
 - (d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

- (e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (f) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 6, 2026.
- (h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

BID FORM

Honorable Greg Cox, Jr.
601 East Main Street
Johnson City, Tennessee 37605

May 6, 2026

Dear Mayor Cox:

For your legally issued, properly executed \$17,635,000* General Obligation Refunding Bonds, Series 2026A (the “Bonds”) of the City of Johnson City, Tennessee, in all respects as more fully outlined in your Detailed Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ (\$_____).

The Bonds shall be dated the date of issuance (assume May 29, 2026) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>Maturity (June 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity (June 1)</u>	<u>Amount*</u>	<u>Rate</u>
2027	\$2,020,000	___	2031	\$2,235,000	___
2028	2,075,000	___	2032	2,285,000	___
2029	2,125,000	___	2033	2,345,000	___
2030	2,175,000	___	2034	2,375,000	___

We have elected the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

- Term Bond 1: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 2: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 3: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 4: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.

It is our understanding that the Bonds are subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the City without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for up to 2% of the Bonds on which we have bid by the close of business on the date following the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the
City of Johnson City, Tennessee, this
6th day of May, 2026.

Greg Cox, Jr., Mayor

Respectfully submitted,

Total interest cost from
May 29, 2026 to final maturity \$ _____
Less: Premium /plus discount, if any \$ _____
Net Interest Cost \$ _____
True Interest Rate..... _____%

The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

*Preliminary, subject to change.

\$17,635,000*
CITY OF JOHNSON CITY, TENNESSEE
General Obligation Refunding Bonds, Series 2026A

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Preliminary Official Statement* which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by the City of Johnson City, Tennessee (the “City”) of \$17,635,000* General Obligation Refunding Bonds, Series 2026A (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 *et. seq.*, *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to a resolution duly adopted by the City Council of the City on April 16, 2026 (the “Resolution”).

The Bonds are being issued for the purpose of refinancing the Outstanding Indebtedness, as defined below, and (ii) payment of the costs related to the issuance and sale of the Bonds.

REFUNDING PLAN

The City is proposing to refinance its outstanding Bonds are being issued for the purpose of refinancing, in whole, the City’s outstanding Loan Agreement, Series VII-I-1, dated December 1, 2010, and the related Local Government Public Improvement Bonds, Series VII-I-1, dated December 29, 2010, issued by the Public Building Authority of Sevier County, Tennessee, maturing June 1, 2027 and thereafter (the “Outstanding Indebtedness”)

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the “Plan”) for the Outstanding Indebtedness was submitted to the Director of the Division of Local Government Finance for review, and a report was received thereon.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery (assume May 29, 2026). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2026. The Bonds are issuable in book-entry-only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Recorder. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

*Preliminary, subject to change

SECURITY

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. The Bonds shall be additionally payable from and secured by a pledge of revenues derived from the one-fourth (1/4th) cent increase in the retail sales and use tax levied and collected by Washington County, Tennessee, pursuant to Sections 67-6-701 et seq. Tennessee Code Annotated, and resolution of the Board of County Commissioners of Washington County at a referendum held on May 3, 1994 (the "Sales Tax Revenues"), in amounts not exceeding the amounts required to make such payments due with respect to such amounts subject to a prior pledge of such Sales Tax Revenues in favor of the City's outstanding Series 2022 Bonds and Series 2020 Bonds secured by the Sales Tax Revenues (collectively, the "Prior Lien Bonds") but on a parity and equality of lien with any other bonds, notes or loan agreements hereinafter issued or entered into as to which such tax revenues are pledged.

The City, through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the City to the payment of debt service on the Bonds.

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the City.

OPTIONAL REDEMPTION OF THE BONDS

Bonds maturing June 1, 2033, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2032 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Commission, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry-Only System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry-Only System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

MANDATORY REDEMPTION

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 20__, and June 1, 20__ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected in the manner described above relating to optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
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*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) described above are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and

neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the designated principal trust office of the Registration Agent.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, U.S. Bank Trust Company, National Association, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows. However, if the winning bidder certifies to the City that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry-Only System is not required.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the “Book-Entry-Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates

the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized Book-Entry-Only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the

nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the City determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent and the Municipal Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent or the Municipal

Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled “SECURITIES OFFERED – Redemption.”

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the City as follows:

- (a) an amount, which together with investment earnings thereon and other legally available funds of the City, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Indebtedness until and through the prepayment date therefor shall be transferred to the Trustee for the Outstanding Indebtedness to be held to the earliest prepayment, which prepayment shall occur on June 1, 2026; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be used to pay the costs of issuance the Bonds, and all necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

DISCHARGE AND SATISFACTION OF BONDS

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (“an Agent”; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or
3. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing

Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise described below, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Registration Agent. For the purposes described above, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the City to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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LEGAL MATTERS

LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not treated as an item of preference in calculating the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

The Code imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit, or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the

Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity,

or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of her knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Recorder acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the

preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled “MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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MISCELLANEOUS

RATING

Moody's Investor Service ("Moody's") has given the Bonds the rating of "Aa2"

There is no assurance that such rating will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by Moody's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of outstanding bonds obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of Moody's and any explanation of the significance of such rating should be obtained from Moody's.

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on May 6, 2026. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that is dated April 28, 2026.

The successful bidder for the Bonds was an account led by _____, _____, _____ (the "Underwriter") who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$ _____ (consisting of the par amount of the Bonds, less an underwriter's discount of \$ _____ and less an original issue discount of \$ _____) or ____% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., has served as Municipal Advisor (the "Municipal Advisor") to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the City to compile, create, or interpret any information in the *Preliminary Official Statement* and *Official Statement* relating to the City, including without limitation any of the City's financial and operating data, whether historical or projected. Any information contained in the *Preliminary Official Statement* and *Official Statement* concerning the City, any of its affiliates or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to review

or audit any information in the *Preliminary Official Statement* and *Official Statement* in accordance with accounting standards.

U.S. Bank Trust Company, National Association. U.S. Bank Trust Company, National Association (the “Bank”) is a national banking association. The Bank and its affiliates provide, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank and/or its affiliates serve the City in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statement. Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the City and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the City’s Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. including Dissemination Agent and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

ADDITIONAL DEBT

The City also has ongoing capital needs that may or may not require the issuance of additional debt. Additionally, the City may also authorize the issuance of additional refundings of outstanding bonds as savings opportunities arise.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the City uses the statutory authority granted

therein to issue bonds. (see “DEBT STRUCTURE - Indebtedness and Debt Ratios” for additional information.)

DEBT RECORD

There is no record of a default on principal and interest payments by the City from information available. Additionally, no agreements or legal proceedings of the City relating to securities have been declared invalid or unenforceable.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2026 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The issuer will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. For the past five years, the City is unaware of any instances in which it has not complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, provided, however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled “SUPPLEMENTAL INFORMATION STATEMENT.”

1. Summary of Bonded Indebtedness as of the end of such fiscal year;
2. The Indebtedness and Debt Ratios as of the end of such fiscal year, together with information about the property tax base;
3. Information about the Bonded Debt Service Requirements – Excludes Revenue Supported Debt as of the end of such fiscal year;

4. Information about the Bonded Debt Service Requirements – School Sales Tax Revenue Supported Excludes Revenue Supported Debt as of the end of such fiscal year;
5. Information about the Bonded Debt Service Requirements – Water and Sewer System Revenue Supported as of the end of such fiscal year;
6. Information about the Bonded Debt Service Requirements – Stormwater Revenue Supported as of the end of such fiscal year;
7. The Fund Balances, Net Assets and Retained Earnings for the fiscal year;
8. Five Year Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year;
9. Five Year Summary of Revenues, Expenditures and Changes in Fund Net Position – Water and Sewer Fund for the fiscal year;
10. The estimated Assessed Valuation of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year;
11. Property Tax Rates and Collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year; and
12. The Ten Largest Taxpayers.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the City or related public entities, which have been submitted to the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;

- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of Bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the City, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms as of a financial obligation of the City, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the City, any of which reflect financial difficulties.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

BONDHOLDER RISK

Ongoing Civil Litigation. The City is a defendant or has been a defendant in several civil lawsuits that relate to claims that the City's police department failed to adequately investigate criminal conduct that occurred in the City as well as other claims relating to these matters. The crimes that were the basis of this litigation occurred between 2018 and 2022 and were perpetrated by an individual who resided in the City. That individual has now been convicted of certain federal crimes and is serving a lengthy sentence. The City has successfully settled most of the claims that have been asserted against the City, including a potential class action lawsuit, and has paid approximately \$30.6 million in settlement payments during the last 18 months. A few lawsuits are still ongoing relating to these matters, and the City is not in a position to predict the outcome of those lawsuits. A portion of the original settlement payments were paid by insurance, but the City was required to make substantial payments from its General Fund. It is possible that the City may be required to make additional payments in the future from its General Fund to resolve the remaining claims. Although the payments that the City has made from its General Fund were

General Fund were substantial, the City's balance in its General Fund is sufficient, in the City's judgment, to meet the City's operational needs, and the City does not believe that any future payments would have a material adverse effect on the City's financial condition, or day to day operations.

General. The purchase of the Bonds is subject to a number of investment considerations. The following is a discussion of certain investment considerations, which, among others, could affect the ability of the City to pay the principal of and interest and premium, if any, on the Bonds and which could also affect the marketability of, or the market price for, the Bonds. Such discussion is not, and is not intended to be, a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of the information presented in this Preliminary Official Statement, including the Appendices attached hereto. Each prospective purchaser of any Bond should read this Preliminary Official Statement, including the Appendices attached hereto, in its entirety and consult such prospective purchaser's own investment or legal advisor for a more complete explanation of the matters that should be considered when purchasing an investment such as the Bonds.

Climate Change. Planning for climate change in the State and its impact on the City's operation is an unknown challenge. The State's climate is exceedingly variable and projections of future conditions range significantly. While projections in the State indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts of climate change include changes in the length, intensity, and frequency of droughts and floods. Additionally, severe weather and natural disasters, generally, including tornadoes and other storm events, can affect the City and its residents in a number of ways, including by damaging City property, causing the temporary or permanent displacement of City residents and interrupting City services. The City cannot predict the impact of climate change or the timing, extent or severity of any adverse weather event or natural disaster and any potential effect on the City's operations or finances.

Cyber-Security. Computer networks and data transmission and collection are vital to the efficient operations of the City. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by the City, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the City's operations, which could materially affect the City and its operations. To mitigate against such risks, the City has instituted various policies and procedures to protect its respective information technology infrastructures, including cybersecurity training requirements for City employees. The City also maintains insurance against cybersecurity incidents.

Future Legislation. From time to time, the Tennessee General Assembly considers bills purporting to limit the amount by which Tennessee local governments may increase ad valorem tax levies for purposes other than the payment of general obligation debt service without first obtaining voter approval by referendum. If enacted into law, such bills would have no impact on the security for the payment of the Bonds. However, such laws could impact the City's ability to raise revenue for other governmental operating and capital requirements. See also "LEGAL MATTERS – Tax

Matters – Changes in Federal and State Tax Law” for the potential impact of changes in tax law on the Bonds.

Enforceability of Remedies. The remedies available to the holders or beneficial owners of the Bonds upon any event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay.

The enforceability of remedies or rights with respect to the Bonds may be limited by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Under existing law, municipalities must obtain the consent of state governments in order to avail themselves of federal bankruptcy protection under Title 11 of the United States Code. There is currently no law in the State granting such consent. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, moratorium, or other similar laws affecting the rights of creditors generally or as to the availability of any particular remedy.

Secondary Market Prices. No assurance can be given that a secondary market for any of the Bonds will be available and no assurance can be given that the initial offering prices for the Bonds will continue for any period of time.

The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event a holder or beneficial owner thereof determines to solicit purchasers of the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current holder or beneficial owner of the Bonds, depending on existing market conditions and other factors.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in this *Preliminary Official Statement* in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this *Preliminary Official Statement* involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this *Preliminary Official Statement* nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The *Preliminary Official Statement* and *Official Statement*, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in the *Preliminary Official Statement* or the *Official Statement*, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this *Preliminary Official Statement* as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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CERTIFICATION OF THE CITY

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ _____
Mayor

ATTEST:

/s/ _____
City Recorder

APPENDIX A

LEGAL OPINION

**LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902**

Ladies and Gentlemen:

We have acted as bond counsel to the City of Johnson City, Tennessee (the "Issuer") in connection with the issuance of \$_____ General Obligation Refunding Bonds, Series 2026, dated _____, 2026 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding general obligations of the Issuer.

2. The resolution of the City Commission of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The Bonds constitute general obligations of the Issuer for the payment of which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The Bonds shall be additionally payable from and secured by a pledge of revenues derived from the one-fourth (1/4) cent increase in the retail sales and use tax levied and collected by Washington County, Tennessee pursuant to Sections 67-6-701, et seq., Tennessee Code Annotated, and resolution of the Board of County Commissioners of Washington County approved at a referendum held on May 3, 1994 (the "Sales Tax Revenues"), in amounts not exceeding the amounts required to make such payments due with respect to such amounts subject to a prior pledge of such Sales Tax Revenues in favor of the Issuer's outstanding Series 2022 Bonds and Series 2020 Bonds secured by the Sales Tax Revenues but on a parity and equality of lien with any other bonds, notes or loan agreements hereinafter issued or entered into as to which such tax revenues are pledged.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. Failure to comply with certain of such requirements could cause interest on the Bonds to be so includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

The rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors, and by equity principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds. Further, we express no opinion herein regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Johnson City (the “City”) is in the ridge and valley area of Northeast Tennessee. The City is located principally in Washington County (the “County”), Tennessee, but also includes portions of Carter and Sullivan Counties at the foot of Buffalo Mountain. The Town of Jonesborough is the County seat of Washington County and is located several miles southeast of the center of Johnson City, but immediately adjacent to the border of the City of Johnson City. Johnson City is located 90 miles northeast of Knoxville on Interstate 81, 160 miles southwest of Roanoke, Virginia on Interstate 81, and 67 miles due north of Asheville, North Carolina on Interstate 26. The Cherokee National Forest is located along the southeast border of the County.

INTRODUCTION

Johnson City has been designated a Metropolitan Statistical Area (the “MSA”) in 2004. In 2004 the Tri-Cities MSA that included Johnson City was split into two MSAs, the Johnson City MSA and the Kingsport-Bristol MSA.

Johnson City is also the lead city of the Tri-Cities Combined Statistical Area (the “CSA”) of Northeast Tennessee and Southwest Virginia. The combined area is unusual in that there is no dominant central city. The City of Johnson City is the largest city in the CSA with a population of 71,046 according to the 2020 Census. Washington County’s population was 133,001 in 2020. Other major cities in the CSA include Kingsport, Elizabethton, Jonesborough and Bristol, Tennessee and Bristol, Virginia.

The Tri-Cities CSA enjoys the amenities of a large population without the problems that often follow a large central city. The educational and health care facilities in Johnson City have received recognition on state and national levels. Housing is abundant and moderately priced. Recreation of many types including professional baseball, NASCAR and IHRA racing, NCAA basketball, golfing and white-water rafting are available.

TRANSPORTATION

The City has access to Interstate 81, which is approximately 14 miles from downtown Johnson City. Access to Interstate 26 to the south of the City is also nearby. This highway opened Johnson City and the region to the South Carolina seacoast and an easy connection to eastbound Interstate 40 to Asheville. Additionally, U.S. 11-E was expanded in recent years to four lanes to Greeneville, 30 miles to the southwest; and U.S. 11-E to Bristol, 22 miles to the northeast was completed as a four-lane divided highway. The County also is traversed by U. S. highways 19-W, 23, 321 and State highways 34, 36, 67, 91, 354, 359, 381 and 400.

Johnson City is on the main lines of the Norfolk Southern and the CSX System, allowing one of the easiest transitions between Norfolk and New Orleans on the Norfolk Southern, and Chicago and the eastern seaboard on the CSX.

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Commercial air, air cargo and general aviation services are provided to the region through the Tri-Cities Regional Airport jointly owned by Washington County, Sullivan County and the cities of Johnson City, Kingsport, Bristol, Tennessee and Bristol, Virginia. Numerous flights per day to hubs located in Atlanta, Charlotte, Cincinnati, and Pittsburgh make business and recreational travel easy and convenient. Tri-Cities Regional Airport is also a port-of-entry for international goods and services. Several air cargo carriers serve the region using the recently completed Air Cargo Logistics Center.

EDUCATION

There are two school systems in the County that offer K-12 educational opportunities to residents of the County. The *Johnson City School System* has twelve schools with an enrollment of 7,702 students for the 2023-2024 school year. Vocation/Technical Center and the Henry Johnson Alternative Learning Center are also in the System. There are 532 teachers employed by the school system.

The *Washington County School System* includes sixteen schools: six elementary schools and a K-12 laboratory school located on the campus of East Tennessee State University. In the fall of 2023 there were 8,467 students enrolled in the County School System.

Source: Tennessee Department of Education.

East Tennessee State University (the "ETSU"). ETSU was founded in 1911 in the northeast corner of Tennessee. Fall 2023 enrollment was 13,685 students. ETSU's main campus is situated on a more than 350-acre campus located in nearby Johnson City. The main campus is adjacent to the 31-acre Veterans Administration facility that is home to the James H. Quillen College of Medicine. The Johnson City Medical Center Hospital (Mountain States Health Alliance) is located nearby. ETSU offers approximately 74 majors of study in its undergraduate program, 30 degree fields in its master's programs and doctorates in education, education administration, and biomedical sciences. In addition, the Quillen College of Medicine offers eight Doctor of Medicine degrees. Over 15,000 undergraduate, graduate and professional students attend ETSU. Extended regional campuses are located in Kingsport, Elizabethton and Greeneville.

Instead of utilizing only one teaching hospital, the ETSU Quillen College of Medicine has a broad patient base in the Tri-Cities region with training in every area of primary and tertiary care medicine. Students are provided access to more than 3,000 patient beds in the ten affiliated hospitals in the Tri-Cities area. For several consecutive years, ETSU has been ranked among the top 10 schools in the country for rural medicine. U.S. News also ranked ETSU in the top 25% of medical schools for primary care education. The ETSU College of Medicine has also brought specialties to Johnson City that normally could not be expected in a community of this size. The first in-vitro fertilization in Tennessee was done in Johnson City. One of five prenatal intensive care facilities in the state is manned by pediatric specialists of the ETSU College of Medical faculty. Kidney transplants and open heart surgery also are available in upper East Tennessee primarily as result of the presence of ETSU's College of Medicine.

ETSU's Bill Gatton College of Pharmacy is Tennessee's second state supported pharmacy school. First opened in early 2007, the College graduated its first class in May 2010 and received full accreditation status from the Accreditation Council for Pharmacy Education in July 2010. The Bill Gatton College of Pharmacy offers only the PharmD degree but is in current conversation with other colleges within the division of health sciences and the university at large investigating the development of joint degree programs (PharmD/MPH, PharmD/MBA, and PharmD/PhD). College enrollment is

more than 300 in the four classes. Projected enrollment in the future is currently limited to 80 students per class (320 students).

Source: East Tennessee State University and TN Higher Education Commission.

Milligan University is a private, four-year Christian liberal arts college founded in 1882. In the summer of 2020 the college changed its name from Milligan College to reflect the number of schools/colleges within the campus: the William B. Greene School of Business and Technology, the School of Arts and Humanities, the School of Bible and Ministry the School of Sciences and Allied Health and the School of Social Sciences and Education. Milligan's 181-acre campus is located between Johnson City and Elizabethton just minutes from the Tri-Cities (Johnson City, Kingsport and Bristol) region and an hour's drive to historic Asheville, North Carolina. Students from 35 states and 15 nations are enrolled each year. The College offers 25 academic majors and three master's degree programs. The approximate enrollment is about 1,200 students each year.

U.S. News & World Report's 2019 "Best Colleges" report ranked Milligan at No. 13 in the list of best regional colleges in the South. In addition, the college ranked as the No. 4 best value among regional colleges in the South in the report's "Great Schools, Great Prices" category. Milligan also was recognized on the "A+ Schools for B Students" list for regional colleges in the South based on student improvement and success.

Source: Milligan College.

Northeast State Community College. Northeast State Community College is a public community college based in Blountville, Tennessee. The institution offers technical education and college transfer programs in Blountville. The College serves the citizens of Carter, Johnson, Sullivan, Unicoi, and Washington Counties and has educational sites located at Elizabethton, Mountain City, Gray, and Kingsport. 2023 fall enrollment for the college was at 5,511.

Source: Northeast State Community College, TN Higher Education Fact Book 2021-2022.

The Tennessee College of Applied Technology at Elizabethton. The Tennessee College of Applied Technology at Elizabethton (the "TCAT-E") is part of a statewide system of 27 vocational-technical schools. The TCAT-E meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-E serves the northeast region of the state including Carter, Johnson, Sullivan, Unicoi and Washington Counties. In October of 1999, the school opened an instructional site in Mountain City, offering Business Systems Technology, and later in Kingsport, offering classes in Practical Nursing. The TCAT-E began operations in 1963. The main campus is located in Elizabethton in Carter County along with satellite locations in Mountain City and in Kingsport. The fall 2022 enrollment was 988 students.

Source: Tennessee Colleges of Applied Technology, Carter County and TN Higher Education Commission.

Carter County Higher Education Center. Northeast State Community College and TCAT Elizabethton will open the Carter County Higher Education Center in 2026. The project will renovate existing structures and construct new facilities to support Northeast State and TCAT Elizabethton programs.

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MEDICAL

The Tri-Cities area has ten acute-care hospitals and many other healthcare facilities. In early 2018 the complex merger of Mountain States Health Alliance and Wellmont Health System was complete to form the new Ballad Health System. With the merger, all ten hospitals of the two systems located in the Tri-Cities area (there are 22 hospitals total) will remain open. The new Ballad Health System has seven hospitals in Johnson City, three facilities in Kingsport, and four hospitals in Bristol.

There is also a hospital for veterans in Johnson City, the James H. Quillen VA Medical Center at Mountain Home. The national healthcare system HealthSouth has the facility HealthSouth Rehabilitation Hospital in Kingsport. In addition, the East Tennessee State University located in Johnson City has the James H. Quillen College of Medicine that brings specialties to the area normally not available in a community of this size.

Ballad Health System. (formerly Mountain States Health Alliance and Wellmont Health System). Mountain States Health Alliance (founded in 1998) was based in Johnson City, and Wellmont Health System (founded in 1996) was based in Kingsport. The new healthcare system is solely comprised of the existing 22 facilities of both systems. Ballad Health System is now a premier healthcare provider in the Tri-State region, with hospitals and healthcare facilities in Northeast Tennessee, Southwest Virginia, Southeast Kentucky and North Carolina. Ballad is one of the region's largest employers.

Behavioral Health Child and Adolescent Outpatient Services Clinic. Ballad Health opened a new Behavioral Health Child and Adolescent Outpatient Services clinic in Johnson City in 2024. This new clinic provides care for the specific needs of children and teens with complex behavioral health needs and is part of the Ballad Health Niswonger Children's Network. Ballad also relocated its Behavioral Health Adult Outpatient Services clinic to a new location in the same building and has expanded its services to include intensive outpatient programming for adult patients.

Franklin Woods Community Hospital. Franklin Woods Community Hospital, affiliated with the Ballad Health System, opened in the summer of 2010, and the estimated cost for the entire project is approximately \$122 million. The hospital has approximately 240,000 square feet on a 25-acre lot in Johnson City. The hospital includes 80 beds, a 22-bay emergency department, 5 operating rooms with 22 beds, radiology services including two CT scans and a MRI, physical and respiratory therapy, and additional support areas. Of the licensed beds, 20 are dedicated as part of Women's and Children's Services.

Franklin Woods is said to be the first "Green" hospital in Tennessee, being built to the standards of the U.S. Green Building Council. The design of the Hospital is unlike any other in the region or even the state. This new hospital mixes high-tech with a natural design. Rock formations are utilized to take advantage of natural water flows. Trees are incorporated in the facility and large amounts of glass give everyone inside the hospital the illusion of being outside. Franklin Woods is certified as a Leader in Energy and Environmental Design (LEED) facility. LEED is a nationally accepted benchmark for the design, construction and operation of high-performance green buildings.

Holston Valley Medical Center. Located in Kingsport, the Holston Valley Medical Center has one of Tennessee's only six Level I trauma center that is equipped to care for the most critically

injured patients. The 505-bed facility also has a Level III neonatal intensive care unit to care for the sickest babies. It is part of the regional Ballad Health System. The facility has more than 450 board-certified or board-eligible physicians. In 2005 a \$113 million renovation, called the Project Platinum, began. The construction provided a new intensive care unit, new operating suites, expanded emergency and radiology departments, additional parking areas and a new grand entrance drive and bridge to provide improved hospital access.

Johnson City Medical Center. Johnson City Medical Center (the “JCMC”) is part of the newly formed Ballad Health System. It opened in 1911 in Johnson City. The second hospital built in Tennessee, JCMC is now a 548-bed not-for-profit, comprehensive, acute-care teaching hospital affiliated with East Tennessee State University. JCMC is also a major medical referral center with Level I Trauma Care and is the region's only dedicated emergency medical air transport service. A full range of specialty and subspecialty care services and some of the most advanced diagnostic and surgical techniques are available. JCMC provides private patient rooms and has separate specialized units for newborn, pediatric, medical and surgical intensive care. JCMC is accredited by The Joint Commission.

Source: Johnson City Press.

Niswonger Children's Hospital. The former Children's Hospital at Johnson City Medical Center was rebuilt and opened in early 2009. Niswonger Children's Hospital features a child-friendly design and separate Emergency Department entrance for pediatric patients with 69 licensed beds. The \$35.5 million facility is named after Greeneville businessman Scott M. Niswonger. Among the offerings within the 82,600-square-foot facility will be pediatric operating rooms, pediatric radiology units, pediatric physical therapy space and the region's first pediatric emergency room. The facility will continue its affiliation with St. Jude Children's Research Hospital. It is affiliated with the Ballad Health System.

Source: Johnson City Press.

Woodridge Psychiatric Hospital. Woodridge Psychiatric Hospital is an 84-bed inpatient provider of mental health and chemical dependency services for children, adolescents and adults age 6 and older. Woodridge leads a team of professionals that includes clinicians, social workers, recreational therapists and psychiatric nurses who will assist the individual with finding the most beneficial level of treatment. The facility is located in Johnson City and is affiliated with the Ballad Health System.

Source: Johnson City Press.

James H. Quillen VA Medical Center at Mountain Home (the “VAMC”). Since 1903, James H. Quillen VAMC serves more than 170,000 veterans from a 41-county area of Northeast Tennessee, Southwest Virginia, Western North Carolina, and southeastern Kentucky. The VAMC is located just outside of Johnson City in Mountain Home on 207 acres and shares the West End of the campus with the East Tennessee State University College of Medicine. VAMC Mountain Home has 114 licensed beds.

The VAMC is a teaching hospital and has affiliations with the James H. Quillen College of Medicine as well as numerous other institutions of higher learning for various post-graduate medical training programs. In addition to the main facility in Mountain Home, services are offered in several community-based outpatient clinics. There are seven clinics in Tennessee and thirteen in Virginia. In recent years, the VAMC completed many renovations including a \$70,000,000 modernization project in

conjunction with the facility's role with the East Tennessee State University James H. Quillen College of Medicine. A U.S. National Cemetery is also located on the grounds of the VAMC.

Source: United States Department of Veterans Affairs and the Business Journal.

Mountain Empire Surgery Center. Located in Johnson City, the Mountain Empire Surgery Center opened in 1999. It is affiliated with Texas-based United Surgical Partners International, an international surgery company partnered with local physicians. The surgery center performs about 5,000 surgeries each year in four operating rooms. There are about 29 physicians on staff. The state-of-the-art equipment allows surgeons to perform procedures in the specialty areas of Ear, Nose, and Throat, Orthopedics, Pain Management and Podiatry. The facility is accredited by the Joint Commission for the Accreditation of Health Organizations.

Source: United Surgical Partners.

POWER PRODUCTION

Tennessee Valley Authority (the "TVA")

TVA was established as a wholly-owned corporate agency and instrumentality of the United States of America by the Tennessee Valley Authority Act of 1933 (the "TVA Act"), as amended. TVA Act's objective is the development of the resources of the Tennessee Valley and adjacent areas in order to strengthen the regional and national economy and the national defense. Its specific purposes include: (1) flood control on the Tennessee River and its tributaries, and assistance to flood control on the lower Ohio and the Mississippi Rivers; (2) a modern navigable channel for the Tennessee River; (3) ample supply of power within an area of 80,000 square miles in most of Tennessee and parts of Alabama, Mississippi, Kentucky, Georgia, North Carolina and Virginia; (4) development and introduction of more efficient soil fertilizers; and (5) greater agricultural and industrial development and improved forestry in the region.

TVA is primarily a wholesaler of power. TVA manages 16,400 miles of transmission line to deliver 99.999% reliability that connects supplies power to 153 local power providers. power companies that supply electricity to approximately 10 million people across seven Southeastern states with 61 directly served customers, including 54 industrial customers and 7 military and federal installations. These include coal, gas, nuclear, and hydroelectric plants as well as renewable resources.

About 80 percent of the nation paid more for energy than customers served by TVA. TVA's industrial rates are lower than more than 95 percent of the nation. As of 2024, TVA has ranked the top utility for economic development for 19 consecutive years. Projected capital investments in the region are expected to be 326,000 jobs in \$45.9 billion with investment.

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TVA’s generation portfolio is 39% nuclear, 14% coal, 34% natural gas, 9% hydro, and 4% wind and solar with a total capacity of 32,190 megawatts as of 2024.

TVA'S GENERATING ASSETS
(as of 2024)

Located Over Seven States

3 Nuclear Sites
 4 Coal-Fired Sites
 29 Hydroelectric Sites
 1 Pumped-Storage Site
 9 Combustion Turbine Gas Site
 8 Combined Cycle Gas Sites
 9 Solar Energy Sites
 1 Diesel Generation Site

Located in Tennessee

2 Nuclear Sites
 3 Coal-Fired Plants
 19 Hydroelectric Dams
 1 Pumped-Storage Hydroelectric Plant
 8 Natural Gas-Fueled Facilities
 13 Non-Power Dams
 9,455 Miles of Transmission Line
 298 Substations & Switchyards

Tennessee

TVA supplies energy for over 7 million people through 82 local power companies and for 26 large, direct-served customers in Tennessee. TVA also manages 33 reservoirs, 179,510 acres of public land, and 7,700 miles of shoreline within the state. Projected capital investments for Tennessee are expected to be 30,760 jobs with \$3.6 billion in investment. TVA employs 7,592 people in the state as of 2024.

Solar and Other Fuels

TVA will add 10,000 megawatts of solar energy by 2035, representing more than a 15-fold increase from 2021. And by 2050, TVA plans to achieve net-zero carbon emissions by the development of emerging technologies, such as advanced nuclear, long-duration energy storage, carbon-capture technologies and alternative fuels like hydrogen. TVA has contracted or installed around 400 megawatts of solar generating capacity, has more than 1,200 megawatts of wind power, and over 50 megawatts from burning organic garbage. About 13 percent of TVA’s power comes from renewable sources, with 3 percent of that comes from wind and solar. Biomass, primarily from wood and wood waste, also contributes a small amount to the state's net generation. TVA also uses methane gas from the Memphis wastewater treatment plant to boost generating capacity at one coal-fired power plant, increasing the plant's capacity by 8 megawatts.

Solar Facility. BrightRidge, TVA and Silicon Ranch constructed in 2018 the Tri-Cities’ first community solar project, a 5-megawatt solar farm outside of Jonesborough near Telford. Approximately 40 acres are covered by solar panels. The solar facility, owned by Silicon Ranch and constructed by McCarthy Building Companies, deployed 41,760 solar panel modules manufactured by First Solar. These modules are mounted on 2,262 single-axis piles guided by 174 trackers. In all, 88 inverters convert the generated electricity to alternating current prior to delivery to the grid.

Silicon Ranch has invested millions of dollars in private capital to build the solar farm, which generates about 8 million kilowatt-hours of electricity annually, with zero carbon emissions and zero water consumption. 500 kilowatts of the project capacity are offered exclusively to BrightRidge customers on a monthly or long-term lease basis in lieu of installing solar panels directly on a business, school or residential property. The project produces enough carbon-free electricity to power more than 500 homes over the course of a year as weather conditions permit.

Transmission System Improvements

TVA invested nearly \$1.5 billion in transmission improvements between 2022-2025, to include a \$289 million investment in a new System Operations Center and \$90 million in a new Energy Management System.

The DOE awarded a \$250 million grant in late 2024 to TVA and 10 of its local power companies that will fund 84 projects aimed at strengthening the electric grid and building renewable energy. These projects will help the utility add up to 2,400 megawatts of capacity to its grid, moving enough additional electricity to power 1.4 million homes, and speed development of solar and wind projects. It will allow the utility to create its first interconnection with the Southwest Power Pool, which manages much of the Midwest's wind-heavy grid, adding 800 megawatts of wind to TVA's system. Updates to the grid could reduce the duration of local power outages by 94%, creating \$250 million in economic benefits, according to a TVA news release. TVA anticipates the money will create approximately 800 jobs over five years.

Carbon Reduction

TVA has initiated a decarbonization plan reduce carbon emissions to 70 percent by 2030 and a path to reaching 80 percent by 2035, all while using existing technology and without impacting reliability or costs. By 2035, TVA plans to have retired all of its coal plants to fulfill a goal for net-zero carbon emissions by 2050. TVA has already shut down 32 of the 59 coal-fired units it once operated, cutting the share of its power generated by burning coal from nearly two-thirds of TVA's generation in the 1980s to less than 20 percent in fiscal 2018. TVA estimates the shutdown of the aging facilities, which would have required an estimated \$1.3 billion in equipment and maintenance investments over an extended life of the plants, will save TVA \$320 million. In an agreement with the Environmental Protection Agency, the utility will invest \$3 billion to \$5 billion on pollution controls and \$350 million on clean energy projects.

Source: Tennessee Valley Authority and The Knoxville News Sentinel.

TVA Nuclear Power

TVA applied for a \$800 million federal grant to help finance small *modular nuclear reactors* to be built at its Clinch River Nuclear Site in Oak Ridge. The grant could cut the timeline for building the reactors by two years, with a plan for commercial operation by 2033. TVA plans to build up to four 300-megawatt reactors at the site. Small modular reactors are not just smaller than large traditional nuclear power plants but could be built faster and in more places. Nuclear energy is the largest single source of clean energy in the U.S., at around 20% of the electricity supply.

TVA began exploring options for advanced reactors in 2010 and submitted an early site permit in 2016. The project was the first of its kind to receive an early site permit from the U.S. Nuclear Regulatory Commission in 2019, and the TVA Board of Directors has approved \$350 million to fund early development. TVA listed 11 partners applying for the grant money, including Bechtel, BWX Technologies, Duke Energy, GE Hitachi Nuclear Energy, Oak Ridge Associated Universities and the state of Tennessee.

The Clinch River Site, a 1,200-acre tract at the far south end of Oak Ridge, has been designated for several projects in the past. It was to be the home to the Clinch River Breeder Reactor and Babcock & Wilcox and Bechtel's mPower small modular reactors. Both projects were terminated before they were built.

TVA is also collaborating with Type One Energy to support the world's first *fusion power plant* at TVA's former Bull Run Fossil Plant in Clinton. Type One is planning in 2026 to build the commercial nuclear fusion plant using the former TVA site to house a prototype dubbed "Infinity One". The company aims to use a machine called a stellarator to contain plasma much hotter than the sun at the pilot plant. It would be developed in the former fossil fuel plant's turbine room. The prototype is designed to verify aspects of the design and serve as a training platform.

Described as clean energy, fusion reactions smash hydrogen isotopes together to make energy. This is unlike traditional nuclear power plants, which use fission to [split uranium](#) isotopes to create heat. Nuclear fusion can't produce a nuclear meltdown, and it won't create intensely radioactive waste that remains dangerous for hundreds of thousands of years. Scientists have worked to develop nuclear fusion power plants since the 1950s, but rapid advancements in supercomputing have sped up stellarator breakthroughs. Type One Energy solved the basic physics problems of the design by running more than 70,000 simulations on supercomputers.

If Type One's "Infinity One" stellarator moves forward successfully, then the world's first commercial nuclear fusion plant, or "Infinity Two", will be built. The plant could be operational by the mid-2030s, and the power it generates could add to the Tennessee Valley's baseload. The plant is envisioned as producing 350 megawatts of continuous electricity, a little over a fifth of one of the reactors at TVA's Sequoyah Nuclear Plant near Chattanooga. Once the plant is online, it could create as many as 330 jobs and have an estimated investment of \$223.5 million.

Hydropower and Flood Control

Tennessee is one of the top three hydroelectric power producers east of the Rocky Mountains due to the many TVA hydroelectric power plants located on the Tennessee and Cumberland River systems. Hydroelectric power, although variable, has been contributing about one-eighth of the state's net generation in recent years.

Managing the Tennessee River System TVA includes managing the Tennessee River system and 293,000 acres of public land, 11,000 miles of shoreline, and 650,000 surface acres of reservoir water. TVA dams on the Tennessee River system provide multiple public benefits: food control, navigation, power production, recreation, water quality and water supply, and protection of natural resources.

Boone Dam. Tennessee Valley Authority's ("TVA") Boone Dam is located in Johnson City, Tennessee on the South Fork Holston River. Construction of Boone Dam began in 1950 and was completed in 1952. Boone Dam is 160 feet high and stretches 1,532 feet across the South Fork Holston River. The three hydroelectric generating units have a generating capacity of 81,000 kilowatts of electricity. Boone Reservoir is located in both Washington and Sullivan Counties.

Fort Patrick Henry Dam. Tennessee Valley Authority's ("TVA") Fort Patrick Henry Dam is located in Kingsport on the South Fork Holston River. Construction of the Dam began in 1951 and was completed in 1953. The Dam is 95 feet high and stretches 737 feet across the South Fork Holston River. The generating capacity of Fort Patrick Henry Dam is 59,400 kilowatts of electricity. The Dam was built primarily for hydropower, but it is also used to regulate the flow of water downstream to ensure a reliable supply of water for local industry and for cooling water at TVA's John Sevier Fossil Plant. Fort Patrick Henry Reservoir extends 10 miles in Sullivan County upstream from the Dam to Boone Dam.

South Holston Dam. Tennessee Valley Authority's ("TVA") South Holston Dam is located in Sullivan County on the South Fork Holston River. Construction of the dam was begun in 1942 but was halted in favor of other wartime construction efforts. Building resumed in 1947 and was completed in 1950. South Holston Dam is 285 feet high and reaches 1,600 feet across the South Fork Holston River. South Holston is an earth-and-rockfill dam with one hydroelectric unit. The generating capacity of South Holston Dam is 38,500 kilowatts of electricity. South Holston Reservoir extends in Sullivan County 24 miles east of the Dam into Virginia.

Watauga Dam. Tennessee Valley Authority's ("TVA") Watauga Dam is located in Carter County on the Watauga River. Construction of Watauga Dam began in 1942 and was completed in 1948. Watauga Dam is 318 feet high and extends 900 feet across the Watauga River. Watauga has two hydroelectric generating units with a generating capacity of 57,600 kilowatts of electricity. Watauga Reservoir extends 16 miles east from Watauga Dam toward the North Carolina border through Carter and Johnson Counties.

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

Johnson City's economy has a strong base of institutional employment that has traditionally helped insulate the city from downturns on the national and state level. Johnson City Medical Center Hospital, the Veterans Administration, East Tennessee State University, and the City government all rank among the ten largest employers in the County.

Carter County Higher Education Center. Northeast State Community College and TCAT Elizabethton broke ground in late 2024 on the new Carter County Higher Education Center, a \$40 million project designed to expand educational opportunities in the region. The facility, scheduled to open in fall 2026, will add about 71,000 gross square feet of new space. Buildings will include high-bay training spaces, laboratories, classrooms, administrative, student, and support spaces for academic programs and hands-on instruction.

Eastman Chemical Company. Eastman Chemical Company is located in Kingsport on the Sullivan County side and is the largest manufacturing employer in Tennessee. Eastman's Kingsport, Tennessee manufacturing site was founded by George Eastman in 1920. The site produces a broad range of chemicals, fibers and plastics found in products such as paint, adhesives, textiles, sports bottles, pharmaceuticals, medical devices and much more.

Over the past three decades, Eastman has been one of the pioneers in developing metanalysis technology for recycling at commercial scale. In 2022, a recycling facility was completed at the plant for \$250 million. The facility will address the plastic waste crisis, and projects to recycling more than 500 million pounds of plastic waste annually via molecular recycling technologies by 2030. Utilizing Eastman's polyester renewal technology, the plastic-to-plastic recycling facility will use over 100,000 metric tons of plastic waste that cannot be recycled by current mechanical methods to produce premium, high-quality specialty plastics made with recycled content. This process of using plastic waste as the main feedstock is a true material-to-material solution and will not only reduce the company's future use of fossil feedstocks, but also reduce its greenhouse gas emissions by 20-30 percent relative to fossil feedstocks.

In 2011 the company purchased Sterling Chemicals Inc. for \$100 million in cash. The assets include a plasticizer and acetic acid manufacturing facility in Texas.

Also in 2020 the company finished a \$1.6 billion expansion that is expected to bring in 300 new jobs. The seven-year project, began in 2013, was finished on the 100th anniversary of Eastman in 2020. The project includes safety and environmental projects, increased warehouse capacity, building renovations and expansion of its corporate campus.

State Programs

Select Tennessee Certified Sites Program (the “STCSP”). The STSCP has helped communities prepare industrial sites for private investment and job creation since 2012. The certification process ensures that each certified site meets high quality standards and are primed for development. Certified sites must have documented environmental conditions and geotechnical analysis, existing onsite utilities or a formal plan to extend utilities to the site, and truck-quality road access. The program’s goal is to give companies detailed and reliable information during the site selection process and markets the sites to a targeted group of site selection consultants and business leaders in Tennessee’s key industry clusters. As of 2024, seventy-eight sites in Tennessee have been certified and 23 companies have invested over \$2.01 billion in capital investment to construct facilities on certified sites, accounting for more than 7,494 new job commitments.

There are three industrial parks in Sullivan County that are certified with the Select Tennessee Certified Sites Program: Aerospace Park I (27 acres); Bristol Business Park (82 acres); and Partnership Park II (204 acres). There are two industrial parks in Washington County that are certified with the Select Tennessee Certified Sites Program: the Washington County Industrial Park – Parcel 112.05 (22 acres); and the Washington County Industrial Park Parcel 31.

Source: Tennessee Department of Economic and Community Development.

Tennessee Downtowns. The City of Johnson City has a historically significant downtown that it has improved through the Tennessee Downtowns program. Tennessee Downtowns is an affiliated program of Tennessee Main Street designed to help rural communities to revitalize their downtown areas. The Tennessee Downtowns program helps local communities revitalize traditional commercial districts, enhance community livability, spur job creation and maintain the historic character of downtown districts. The two-year program coaches selected communities and their steering committees through the steps of launching effective renewal efforts. Tennessee Downtowns includes community training in the Main Street America program and a grant for a downtown improvement project. As of April 2024, Tennessee Department of Economic and Community Development (the “TNECD”) provides the Tennessee Downtowns program to 90 communities that want to pursue the Main Street America approach to downtown revitalization.

The selected communities all have downtown commercial districts established at least 50 years ago and have demonstrated their readiness to organize efforts for downtown revitalization according to Main Street America principles. The highly competitive selection process was based on historic commercial resources, economic and physical need, demonstrated local effort, overall presentation and probability of success. Grants are awarded to organizations that illustrated the need for improvements and the ability to execute an effective design plan for building facades, wayfinding signage, gateways and streetscapes. As part of the program, each new grant recipient will be required to match 25-percent of the funding received.

Tennessee Downtown communities that complete the program are eligible for additional Downtown Improvement Grants as well as Main Street designation. There are currently 46

nationally accredited Main Street communities in Tennessee, 20 of which successfully completed the Tennessee Downtowns program prior to their national accreditation.

Source: Tennessee Department of Economic and Community Development.

Tennessee Main Street Program. The Cities of Johnson City and Jonesborough have historically significant downtowns that have been improved through accreditation with the Tennessee Main Street Program. As of May 2024, there are almost 50 communities that are accredited through the state program Tennessee Main Street Accreditation and a program of the national Trust for Historic Preservation (called Main Street America). The Main Street Program provides training, support and grant opportunities to assist in downtown revitalization efforts to focus on historic preservation, community events and economic revitalization. In 2020, accredited Tennessee Main Street communities generated \$79 million of public and private investment and nearly 158 new businesses. The Tennessee Main Street Program requires communities to illustrate a commitment from local government and other local organizations, an adequate organizational budget, a strong historic preservation ethic, a collection of historic commercial buildings and a walkable district.

Source: Tennessee Department of Economic and Community Development.

The following list depicts major sources of employment in Johnson City:

Major Employers in and around Johnson City and Washington County

<u>Employer</u>	<u>Location</u>	<u>Product/Services</u>	<u>Employment</u>
East Tennessee State University	Johnson City	Education	4,000
Johnson City Medical Center ¹	Johnson City	Healthcare	3,300
Veterans Administration Hospital	Johnson City	Healthcare	2,896
Citi Solutions Center	Johnson City	Credit Card Programs	1,847
Advance Call Center Tech	Johnson City	Communications	1,802
Washington County School System	Johnson City	Education	1,307
Frontier Health ²	Gray	Rehabilitative Healthcare	1,212
AO Smith (American Water Heater Group)	Johnson City	Water Heaters	1,150
Johnson City School System	Johnson City	Education	1,132
City of Johnson City	Johnson City	Government	1,080
State of Franklin Healthcare	Johnson City	Healthcare	1,001
Franklin Woods Community Hospital ¹	Johnson City	Hospital	428
Woodridge Psychiatric Hospital ¹	Johnson City	Hospital	231

¹ The hospital is part of the Ballad Health with about 8,610 total employees in the Tri-Cities area.

² Includes employees from multiple areas in the Tri-Cities area.

Source: TN Department of Economic & Community Development (2025), and Annual Comprehensive Financial Reports of the City of Johnson City - 2024.

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The following is a list of the major sources of employment in Tri-Cities area (*Carter County*: Elizabethton and Johnson City; *Hawkins County*: Kingsport, Rogersville, Bulls Gap, Surgionsville and Church Hill; *Greene County*: Greeneville; *Sullivan County*: Bristol, Kingsport, Johnson City and Piney Flats; *Washington County*: Johnson City, Jonesborough, Gray, Telford and Midway; and in nearby Bristol, Virginia):

Major Employers in the Tri-Cities Area

<u>Company</u>	<u>Location</u>	<u>Product</u>	<u>Employees</u>
Ballad Health Corp*	Johnson City	Healthcare	8,610
Eastman Chemical Company	Kingsport	Chemicals, Fibers, Plastics	6,500
East Tennessee State University	Johnson City	Education	4,000
Veterans Administration Hospital	Johnson City	Healthcare	2,896
Pinnacle Retail Center (collectively)	Bristol, TN	Retail	2,825
Citi Solutions Center	Johnson City	Credit Card Programs	1,847
Advance Call Center Tech	Johnson City	Communications	1,802
Partner Industrial	Kingsport	Industrial Maintenance Services	1,390
Washington County School System	Johnson City	Education	1,307
Sullivan County Schools	Blountville	Education	1,247
Kingsport City Schools	Kingsport	Education	1,214
Frontier Health ²	Gray	Rehabilitative Healthcare	1,212
Pals Sudden Service	Kingsport	Restaurant	1,154
AO Smith (American Water Heater Group)	Johnson City	Water Heaters	1,150
Johnson City School System	Johnson City	Education	1,132
Hawkins County Schools	Rogersville	Education	1,100
City of Johnson City	Johnson City	Government	1,080
Sullivan County Government	Blountville	Government	1,074
State of Franklin Healthcare	Johnson City	Healthcare	1,001
Teleperformance USA	Bristol, TN	Manufacturing	943
Agero, Inc.	Blountville	Manufacturing	908
BAE Systems	Kingsport	Chemicals & Explosives	900
Carter County Schools	Elizabethton	Education	870
City of Kingsport	Kingsport	Government	833
Brock	Kingsport	Manufacturing	800
Home Shopping Network	Kingsport	Retail Television	789
Home Shopping Network (HSN)	Piney Flats	Distribution	789
SumiRiko Tennessee	Midway	Manufacturing	750
Barrette Outdoor Living	Bulls Gap	Wood & Vinyl Fencing	750
Nuclear Fuel Services	Erwin	Nuclear Fuel	740
Eastman Credit Union	Kingsport	Credit Union	693
Cardinal Glass Industries	Rogersville	Manufacturing	665
Holston Medical Group	Kingsport	Healthcare	687
Bristol Tennessee School System	Bristol, TN	Education	589
AGC Flat Glass North America	Church Hill	Manufacturing	550
Green County Government	Greeneville	Government	512
Barrette Outdoor Living, Inc.	Bulls Gap	Manufacturing	500
Elizabethton City Schools	Elizabethton	Education	500

<u>Company</u>	<u>Location</u>	<u>Product</u>	<u>Employees</u>
TEC Industrial Maintenance	Kingsport	Manufacturing	490
Copper Standard Automotive	Surgoinville	Automotive Tubing	450
Danny Herman Trucking, Inc.	Mountain City	Distribution	450
John Deere Power Products Inc	Greeneville	Agricultural Equipment	450
Covenant Transport	Greeneville	Manufacturing	450
Snap-On, Inc.	Elizabethton	Manufacturing	427
Greeneville City Schools	Greeneville	Education	420
Johnson County Schools	Mountain City	Education	400
Northeast Correctional Complex	Mountain City	Corrections	400
Wal-Mart Stores Carter County	Elizabethton	Retail	400
Bell Flight	Piney Flats	Aircraft Outfitting	380
Hutchinson Sealing Systems	Church Hill	Manufacturing	370
City of Bristol	Bristol, TN	Government	370
TRW S&S	Rogersville	Manufacturing	335
Domtar	Kingsport	Paper	329
Milligan College	Elizabethton	Education	322
Borla Performance Industries	Johnson City	Manufacturing	311
Wal-Mart Stores	Kingsport	Retail	300
Parkdale Mills	Mountain City	Manufacturing	286
A.Y. McDonald Manufacturing	Elizabethton	Manufacturing	284
Sycamore Shoals Hospital	Elizabethton	Healthcare	269
UPM Pharmaceuticals	Bristol, TN	Pharmaceuticals	255
City of Elizabethton	Elizabethton	Government	250
Summers-Taylor, Inc.	Elizabethton	Manufacturing	250
Dodge Industrial, Inc.	Rogersville	Manufacturing	249
Carter County Government	Elizabethton	Government	233
Hawkins County Government	Rogersville	Government	227
Sam Dong, Inc.	Rogersville	Wire Magnetic Products	208
Baldor Electric Company	Rogersville	Manufacturing	207

* *Ballad Health is a merger of Mountain States Health Alliance and Wellmont Health Systems. Includes employees from multiple areas in the Tri-Cities area.*

** *Based on estimates of full hiring capacity.*

Source: TN Department of Economic & Community Development (2025), Annual Comprehensive Financial Reports of the City of Bristol, Tennessee (2025), the City of Kingsport, Tennessee (2024), and the City of Johnson City, Tennessee (2025).

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ECONOMIC DATA

Per Capita Personal Income

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
National	\$59,151	\$64,692	\$66,298	\$70,002	\$73,204
Tennessee	\$51,977	\$57,715	\$59,107	\$63,479	\$66,504
Washington County	\$47,557	\$52,994	\$52,922	\$57,135	\$60,449
Index vs. National	80	82	80	82	83
Index vs. State	91	92	90	90	91

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Washington County</u>	<u>Johnson City</u>
Median Value Owner Occupied Housing	\$332,700	\$286,700	\$249,000	\$268,200
% High School Graduates or Higher Persons 25 Years Old and Older	89.6%	90.0%	91.2%	92.3%
% Persons with Income Below Poverty Level	10.6%	13.5%	13.0%	20.3%
Median Household Income	\$80,734	\$69,595	\$62,809	\$57,254

Source: U.S. Census Bureau State & County QuickFacts - 2025.

RECREATION

There are four Tennessee Valley Authority lakes located in the area that offer opportunities for water skiing, boating and fishing. There are numerous golf courses and other recreational opportunities both indoor and outdoor located in the region. There are many playgrounds and parks as well as college and high school athletics. The St. Louis Cardinals baseball farm team is located in Johnson City. There is a domed athletic complex at East Tennessee State University seating 12,000. The Appalachian Fair is held in late summer at Gray, Tennessee, five miles north of Johnson City, and annually attracts thousands of fair goers.

Appalachian National Scenic Trail (the "AT"). The Appalachian Trail is a 2,175-mile long footpath stretching through 14 eastern states from Maine to Georgia. It can be accessed in nearby Carter County through the Roan Mountain State Park at Carters Gap. Conceived in 1921 and first completed in 1937, it traverses the wild, scenic, wooded, pastoral, and culturally significant lands of the Appalachian Mountains. The AT is enjoyed by an estimated 4 million people each year.

Source: National Park Service.

Boone Reservoir. Tennessee Valley Authority's ("TVA") Boone Dam is located in Johnson City, Tennessee on the South Fork Holston River. Boone Reservoir is located in both Washington

and Sullivan Counties. The reservoir is operated for a number of purposes, including power production, flood control, water supply, water quality, aquatic ecology and recreation. Compared with similar reservoirs on tributaries of the Tennessee, Boone generally maintains more stable water levels through the summer season.

Source: Tennessee Valley Authority.

Cherokee National Forest (the “CNF”). The Cherokee National Forest is located in Eastern Tennessee and stretches from Polk, Monroe, Cocke, Greene, Unicoi, Carter and Johnson Counties along the North Carolina border. The 640,000-acre forest is the largest tract of public land in Tennessee. It lies in the heart of the Southern Appalachian mountain range, one of the world's most diverse areas. These mountains are home to more than 20,000 species of plants and animals. Also popular are the 650 miles of hiking trails and the 500 miles of streams for fishing. Each year millions of people visit Tennessee's Cherokee National Forest, over 2 million in 2016. The area is the former homeland of the Cherokee Indians and is Tennessee's only National Forest. National forests are lands of many uses. The original purpose for their creation was to protect water quality and provide a continuous supply of timber. Today the national forest mission includes outdoor recreation, wildlife and fish habitat, wilderness, water quality, minerals, wood products, and much more.

Source: USDA Forest Service.

Johnson City Parks. The City's Parks and Recreation Department has six recreation centers and pavilions available seating room 20-125 people. Parks and Recreation also has 20 playgrounds and parks. There are 20 modern tennis courts; 141 adult and 24 Little League, 16 Pony Colt softball and baseball teams; 80 adult and youth basketball teams and 44 soccer teams. Two municipal (one indoor) swimming pools are also available. There are roller skating rinks and bowling centers. Winged Deer Park, featuring five softball fields, three soccer fields and two miles of paved walking trails, is one of the premiere municipal parks in Tennessee. It is the site of major soccer tournaments and at least 37 softball tournaments. Buffalo Mountain Park is a developed nature preserve, featuring 14 miles of hiking trails, panoramic views of the Johnson City area, and picnic sites. Numerous neighborhood parks also provide a wide range of amenities.

Source: Johnson City Economic Development Board.

East Tennessee State University's Memorial Center. East Tennessee State University's Memorial Center has 12,000 seats, each with an unimpeded view of the action. The "mini-dome" is climate controlled...designed for fan comfort. The Center has a tartan basketball floor, with two auxiliary floors, a six-lane 1/4 mile tartan track, six handball courts, six tennis courts, a volleyball court, rifle range and a physical education laboratory.

Source: Johnson City Economic Development Board.

Fort Patrick Henry Reservoir. Tennessee Valley Authority's ("TVA") Fort Patrick Henry Dam is located in Kingsport on the South Fork Holston River. Fort Patrick Henry Reservoir extends 10 miles in Sullivan County upstream from the Dam to Boone Dam. Fort Patrick Henry Reservoir is a popular site for fishing, particularly rainbow trout, bluegill, bass, and crappie. Warrior's Path State Park is located on the reservoir.

Source: Tennessee Valley Authority.

Freedom Hall Civic Center. The 7,000-seat arena-style Freedom Hall Civic Center is one of Johnson City's biggest attractions. It serves as a center for entertainment, cultural and educational activities and conventions. One of only two domed athletic complexes on a college campus is located at East Tennessee State University.

Source: Johnson City Economic Development Board.

Jonesborough Historic District. In 1969, Jonesborough became Tennessee's first town to be listed on the national Register of Historic Places. Visitors to Jonesborough begin tours of Tennessee's oldest town at the Visitor's Center, where monthly exhibits feature the works of local artists and craftsmen. The Washington County History Museum is also housed in the Visitor's Center. The International Storytelling Center in Jonesborough annually hosts the world-famous National Storytelling Festival.

Source: Johnson City Economic Development Board.

Millennium Center. The Millennium Center is the City's continuing education conference facility. Millennium Center is located on approximately 6 ½ acres of a 21-acre site known as Millennium Park. The Public Building Authority of the City of Johnson City developed this facility on behalf of the City, and in 2018 sold the entire complex to ETSU for \$50.8 million. Millennium Park is located on the State of Franklin Road across from the main campus of ETSU and is surrounded by the VA Medical Center (Mountain Home) and the Johnson City Regional Medical Center which anchor the City's Med - Tech corridor and numerous other businesses and institutions. Millennium Center provides approximately 76,000 square feet of meeting space and amenities and a parking garage suitable for approximately 550 vehicles. Immediately adjacent to Millennium Center is the 137 room Carnegie Hotel which serves the Center and the region. Recently, the State and the City announced plans to build a 1,200 seat Fine Arts Center on land located adjacent to Millennium Center. The Fine Arts Center is expected to cost more than \$51 million when completed in 2020.

Source: The City of Johnson City and Johnson City Press.

Roan Mountain State Park. Roan Mountain State Park encompasses 2,006 acres of southern Appalachian forest at the base of 6,285-foot Roan Mountain in Carter County. Park elevation ranges from 3,000 feet in the valley to around 3,700 feet on surrounding ridges. Park guests have opportunities to hike along creeks and ridges, fish for trout in the Doe River, play tennis, swim, tour a century old farmhouse, join rangers and naturalists for educational programs, and enjoy mountain music concerts. Guests who wish to stay overnight have a choice of RV and tent camping or fully equipped AAA cabins. The Appalachian Trail and famous Rhododendron Gardens of Roan Mountain can be accessed at Carver's Gap, an 8-mile drive from the park. A naturalist is on hand year round to provide programs for visitors to the park and special groups.

Source: Tennessee State Parks.

South Holston Reservoir. Tennessee Valley Authority's ("TVA") South Holston Dam is located in Sullivan County on the South Fork Holston River. South Holston Reservoir extends in Sullivan County 24 miles east of the Dam into Virginia. South Holston is operated for many purposes, including flood control, power production, and aquatic ecology. Water levels in the reservoir vary about 30 feet during normal years to provide for flood storage and augmentation of the flow of water during the drier seasons of the year. In 1991 TVA built a weir immediately below South Holston Dam to add oxygen to the river when the hydropower plant isn't generating electricity. Oxygen-rich water helps create a sustained habitat for aquatic insects, vegetation, and fish.

Source: Tennessee Valley Authority.

Sycamore Shoals State Historic Park. Sycamore Shoals State Historic Park is located in Elizabethton in Carter County on the Watauga River. The Park has about 60 acres that offers picnicking, hiking and swimming. The Visitors Center houses an interpretive facility with information, historic displays, and a theater.

Source: Tennessee State Parks.

Tennessee Hills Distillery. Founded in Jonesborough, Tennessee, and a subsidiary of Rugged American Spirits, Tennessee Hills Distillery, has been part of the Sullivan and Washington County communities since 2014. The company is well-known for establishing its first distillery in a historic salt house in Tennessee's oldest town and for partnering with East Tennessee State University to build a brewing and distillation sciences program. With the addition of approximately 45 new jobs in Bristol, the distillery will more than double its employee headcount in Northeast Tennessee.

The distillery became Jonesborough's top tourist destination, with over 100,000 visitors a year and receiving numerous national-level spirit competition awards. With only four employees at the time of the Covid-19 pandemic, the distillery transitioned to manufacturing hand sanitizer to address the shortage in their local community. The distillery has collaborated with ETSU for workforce development and education within their growing industry. In 2021, the company opened the Tennessee Hills Brewstillery in Johnson City and opened a \$25 million expansion in Bristol (Sullivan County) in 2022.

Tennessee Whiskey Trail. The Tennessee Whiskey Trail was launched in 2017 and is more than 800 miles to distilleries throughout the state, including the Jack Daniel Distillery in Middle Tennessee. Tennessee has been a leader in spirits distillation throughout the nation's history, including the time before, during and after Prohibition. Washington County has two distilleries on the Trail.

According to the Department of Tourist Development's 2022 Economic Impact report, more than 6 million visitors, that contributed to over \$3 billion in economic impact, crisscrossed the state to experience the distilleries on the Trail. Since Tennessee state law changed in 2009 to allow more distilleries, more than 30 distilleries in Tennessee are now on the Tennessee Whiskey Trail. The distilleries on the Trail house millions of barrels of whiskey valued at billions of dollars and accounting for nearly 100 percent of all distilled spirits produced in Tennessee. More than \$260 million has been invested in Trail distilleries over the past 10 years, adding more than 500 jobs throughout the state.

Warriors' Path State Park. Warriors' Path State Park is located in Kingsport in Sullivan County. It was named for the park's proximity to the ancient war and trading path used by the Cherokee. Since that time, the park land has known a long history of travelers, and is still a pathway for modern-day outdoor enthusiasts. The 950-acre area was acquired from the Tennessee Valley Authority in 1952, to serve the people who live in or visit this section of Northeast Tennessee. It is situated on the shores of TVA's Patrick Henry Reservoir on the Holston River. The park offers boating, fishing, many hiking trails, campsites, picnic facilities and a swimming pool.

Source: Tennessee State Parks.

Watauga Reservoir. Tennessee Valley Authority's ("TVA") Watauga Dam is located in Carter County on the Watauga River. Watauga Reservoir extends 16 miles east from Watauga Dam toward the North Carolina border through Carter and Johnson Counties. Watauga holds the distinction of being the highest reservoir (more than 1,900 feet above sea level) in the Tennessee River system. The reservoir is operated for many uses, including flood control, power generation, water quality, and aquatic ecology.

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

Appalachian Producers Cooperative Meat Processing Plant. The meat processing plant opened in 2025 and is a public/private partnership with funds from federal, state, local and private sources. The Lee Administration contributed \$2 million in state agriculture grants for the \$12.9 million project.

Ballad Health Cancer Care – Johnson City. Ballad Health is investing in an expansion of Ballad Health Cancer Care – Johnson City to offer more cancer treatment and hematology services. The finished expansion will add exam rooms, physician offices and two new chemotherapy wings complete with private rooms. The first phase of the expansion is complete as of 2024, which includes 11 additional exam rooms, an expanded in-house pharmacy and registration area, and more. The \$6.5 million expansion is part of a \$260 million capital investment approved by the Ballad Health Board of Directors. The next phase of construction in 2025 will expand the existing infusion center, adding two chemotherapy wings that includes 32 infusion chairs and six private rooms.

BorTec USA. BorTec invested a total of \$3.1 million in 2024 and created approximately 35 new jobs to establish a heat treatment plant in Johnson City. The new operations will mainly produce wear and corrosion-resistant pipes for the oil and gas industries. BorTec is a subsidiary to German-based BorTec Group. The company has more than doubled its worldwide headcount through the Tennessee facility.

MD Carts, LLC. MD Carts, LLC invested more than \$10 million to locate a new manufacturing facility in Johnson City in 2024, which houses approximately 200 new jobs. The company moved into the former Q.E.P. building, once a Johnson City flooring plant. The new location significantly expands the company's employment across both Washington and Sullivan Counties and will allow for larger production capacity of its current golf cart line. MD Carts was founded in Kingsport, Tennessee. The 200-job expansion will increase the company's total employment to more than 250 in the next five years.

Premier Transportation. The charter motorcoach service provider, Premier Transportation, expanded in 2025 with a 7,000-square-foot facility featuring multiple service bays and an indoor wash bay to maintain a fleet of over 50 motorcoaches. The facility is expected to employ approximately 35 that will also complement existing operations in Knoxville and Chattanooga.

Source: Washington County Development Council, the Business Journal of the Tri-Cities, Johnson City Press and Knoxville News-Sentinel.

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CITY OF JOHNSON CITY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

PURPOSE	DUE DATE	INTEREST RATE(S)	GENERAL FUND	REVENUE SUPPORTED				OUTSTANDING ¹ JUNE 30, 2025
				SALES TAX ^{2,3}	WATER/SEWER ²	STORM-WATER ²	SOLID WASTE ²	
\$25,000,000 TMBF Variable Rate Loan Program, Series 2008	May 2029	Variable Rates ⁴	\$ 3,470,467	\$ -	\$ 256,533	\$ -	\$ -	\$ 3,727,000
\$27,945,000 Loan Agreement, Series VII-1-1	June 2034	Variable Rates ⁴	\$ -	\$ 19,860,000	\$ -	\$ -	\$ -	\$ 19,860,000
\$450,000 Water & Sewer Loans Series 2003 (RDA Loan - Limestone Cove)	2041	Fixed	\$ -	\$ -	\$ 281,012	\$ -	\$ -	\$ 281,012
\$380,000 Water & Sewer Loans Series 2004 (RDA Loan - Watauga Flats)	2042	Fixed	\$ -	\$ -	\$ 243,330	\$ -	\$ -	\$ 243,330
\$125,000 Water & Sewer Loans Series 2005	2043	Fixed	\$ -	\$ -	\$ 82,604	\$ -	\$ -	\$ 82,604
\$8,160,000 Qualified School Construction Bonds, Series 2009 ⁵	July 2026	Fixed	\$ 8,160,000	\$ -	\$ -	\$ -	\$ -	\$ 8,160,000
\$435,000 Water & Sewer Loans Series 2010 (RDA Loan)	2048	Fixed	\$ -	\$ -	\$ 317,907	\$ -	\$ -	\$ 317,907
\$32,555,000 General Obligation Bonds, Series 2013	June 2043	Fixed	\$ -	\$ -	\$ 17,315,000	\$ 2,930,000	\$ -	\$ 20,245,000
\$1,300,000 Direct Placement Loan, Series 2014	Nov 2034	Variable Rates ⁴	\$ 733,000	\$ -	\$ -	\$ -	\$ -	\$ 733,000
\$2,000,000 Direct Placement Loan, Series 2014	Nov 2029	Variable Rates ⁴	\$ 728,995	\$ -	\$ -	\$ -	\$ -	\$ 728,995
\$11,205,000 General Obligation Bonds, Series 2016	June 2036	Fixed	\$ 7,350,000	\$ -	\$ -	\$ -	\$ -	\$ 7,350,000
\$41,000,000 General Obligation Imp. & Ref. Bonds, Series 2016A	June 2036	Fixed	\$ 11,109,765	\$ -	\$ 9,620,235	\$ -	\$ -	\$ 20,730,000
\$19,245,000 General Obligation Bonds, Series 2019	June 2039	Fixed	\$ 3,515,000	\$ -	\$ 9,765,000	\$ -	\$ -	\$ 14,690,000
\$37,215,000 General Obligation Refunding Bonds, Series 2019B	June 2040	Fixed	\$ 14,441,696	\$ -	\$ 13,693,304	\$ -	\$ -	\$ 28,135,000
\$12,708,599 Water & Sewer Revenue & Tax Loan Series 2020 (SRF 2020-441)	July 2043	Fixed	\$ -	\$ -	\$ 11,552,475	\$ -	\$ -	\$ 11,552,475
\$29,945,000 General Obligation Bonds, Series 2020	Mar 2041	Fixed	\$ 4,106,000	\$ 7,985,000	\$ -	\$ 2,109,000	\$ 705,000	\$ 14,905,000
\$67,715,000 General Obligation Refunding Bonds, Series 2022	Mar 2042	Fixed	\$ 35,875,000	\$ 1,735,000	\$ 20,620,000	\$ 2,470,000	\$ -	\$ 60,700,000
TOTAL BONDED DEBT			\$ 89,489,923	\$ 29,580,000	\$ 83,747,400	\$ 7,509,000	\$ 2,115,000	\$ 212,441,323
BONDS ISSUED POST JUNE 30, 2025								
\$52,790,000 General Obligation Bonds, Series 2025	Jun 2045	Fixed	29,170,000	-	21,685,000	1,935,000	-	\$ 52,790,000
\$17,635,000 General Obligation Refunding Bonds, Series 2026A	Jun 2034	Fixed	-	17,635,000	-	-	-	\$ 17,635,000
LESS: Bonds Refunded or Paid With Cash				(17,940,000)				
TOTAL BONDED DEBT AFTER ISSUANCE								
Less: Revenue-Supported Debt								
NET DIRECT BONDED DEBT			\$ 118,659,923	\$ -	\$ -	\$ -	\$ -	\$ (146,266,400)

NOTES:

¹ The above figures may not include all short-term notes outstanding and capitalized leases, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. Does not include the Aerospace Park Bonds, Series 2018, guaranteed by the City and outstanding in the amount of \$1,400,000 payable through the General Fund.

² Revenue-supported bonds. Backed by the General Obligation pledge of the City.

³ Sales tax supported bonds. Backed by the General Obligation pledge of the City.

⁴ The City budgets to account for interest rate and/or basis risk.

⁵ As of June 30, 2025, there is still \$8,160,000 outstanding, though the City has deposited \$7,552,707 in the QSCB sinking fund, leaving a total of \$607,293 remaining to be deposited.

CITY OF JOHNSON CITY, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS which are attached herein and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this document.

	For Fiscal Years Ended June 30				After Issuance 2026
	2021	2022	2023	2024	
INDEBTEDNESS					
TAX SUPPORTED					
Bonds & Notes & Loans	\$76,678,718	\$109,990,161	\$102,748,407	\$95,922,094	\$ 118,659,923
TOTAL TAX SUPPORTED	<u>\$76,678,718</u>	<u>\$109,990,161</u>	<u>\$102,748,407</u>	<u>\$95,922,094</u>	<u>\$89,489,923</u>
REVENUE SUPPORTED					
Sales Tax Supported Debt	\$40,658,672	\$39,670,822	\$36,505,000	\$33,115,000	\$29,275,000
Water & Sewer Revenue Bonds & Notes	79,616,241	98,014,297	93,332,843	88,459,514	83,747,400
Stormwater Debt	6,457,000	8,879,000	8,423,000	7,974,000	7,509,000
Solid Waste Debt	2,483,283	2,401,686	2,310,000	2,215,000	2,115,000
TOTAL REVENUE SUPPORTED	<u>\$129,215,196</u>	<u>\$148,965,805</u>	<u>\$140,570,843</u>	<u>\$131,763,514</u>	<u>\$122,951,400</u>
TOTAL DEBT	\$205,893,914	\$258,955,966	\$243,319,251	\$227,685,608	\$264,926,323
Less: Revenue Supported Debt	(\$129,215,196)	(\$148,965,805)	(\$140,570,843)	(\$131,763,514)	(\$146,266,400)
Less: Debt Service Fund	0	0	0	0	0
NET DIRECT DEBT	<u>\$76,678,718</u>	<u>\$109,990,161</u>	<u>\$102,748,407</u>	<u>\$95,922,094</u>	<u>\$118,659,923</u>
OVERLAPPING DEBT (1)	96,585,112	90,634,549	90,634,549	109,936,148	129,159,228
NET DIRECT & OVERLAPPING DEBT	<u>\$173,263,830</u>	<u>\$200,624,710</u>	<u>\$193,382,956</u>	<u>\$205,858,242</u>	<u>\$247,819,151</u>
PROPERTY TAX BASE (2)					
Estimated Actual Value	\$6,907,940,363	\$7,698,353,313	\$7,886,784,106	\$10,861,680,888	\$10,843,769,951
Appraised Value	6,880,742,153	6,934,187,618	7,103,317,145	7,100,204,969	10,757,102,036
Assessed Value	2,108,134,451	2,127,506,128	2,181,411,945	2,188,017,285	3,205,545,891

(1) OVERLAPPING DEBT Includes the City's share of Washington and Carter and Sullivan County's Net Direct Debt.

(2) Includes values from all three counties the City is located in: Carter, Sullivan and Washington.

Source: City of Johnson City's Comprehensive Annual Financial Report.

DEBT RATIOS	For Fiscal Years Ended June 30					After Issuance
	2021	2022	2023	2024	2025	
TOTAL DEBT to Estimated Actual Value	2.98%	3.36%	3.09%	2.10%	1.96%	2.44%
TOTAL DEBT to Appraised Value	2.99%	3.73%	3.43%	3.21%	1.97%	2.46%
TOTAL DEBT to Assessed Value	9.77%	12.17%	11.15%	10.41%	6.63%	8.26%
NET DIRECT DEBT to Estimated Actual Value	1.11%	1.43%	1.30%	0.88%	0.83%	1.09%
NET DIRECT DEBT to Appraised Value	1.11%	1.59%	1.45%	1.35%	0.83%	1.10%
NET DIRECT DEBT to Assessed Value	3.64%	5.17%	4.71%	4.38%	2.79%	3.70%
OVERLAPPING DEBT to Estimated Actual Value	1.40%	1.18%	1.15%	1.01%	1.19%	1.19%
OVERLAPPING DEBT to Appraised value	1.40%	1.31%	1.28%	1.55%	1.20%	1.20%
OVERLAPPING DEBT to Assessed Value	4.58%	4.26%	4.15%	5.02%	4.03%	4.03%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	2.51%	2.61%	2.45%	1.90%	2.02%	2.29%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	2.52%	2.89%	2.72%	2.90%	2.03%	2.30%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	8.22%	9.43%	8.87%	9.41%	6.82%	7.73%
PER CAPITA RATIOS						
POPULATION (1)	71,063	72,514	73,337	73,337	73,337	73,337
PER CAPITA PERSONAL INCOME (2)	\$52,994	\$52,922	\$57,135	\$60,449	\$60,449	\$60,449
Estimated Actual Value to POPULATION	97,208.68	106,163.68	107,541.68	148,106.42	147,862.20	147,862.20
Assessed Value to POPULATION	29,665.71	29,339.25	29,745.04	29,835.11	43,709.80	43,709.80
Total Debt to POPULATION	2,897.34	3,571.12	3,317.82	3,104.65	2,896.78	3,612.45
Net Direct Debt to POPULATION	1,079.02	1,516.81	1,401.04	1,307.96	1,220.26	1,618.01
Overlapping Debt to POPULATION	1,359.15	1,249.89	1,235.86	1,499.05	1,761.17	1,761.17
Net Direct & Overlapping Debt to POPULATION	2,438.17	2,766.70	2,636.91	2,807.02	2,981.43	3,379.18
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	5.47%	6.75%	5.81%	5.14%	4.79%	5.98%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.04%	2.87%	2.45%	2.16%	2.02%	2.68%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	2.56%	2.36%	2.16%	2.48%	2.91%	2.91%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	4.60%	5.23%	4.62%	4.64%	4.93%	5.59%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce for Washington County, TN.

CITY OF JOHNSON CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Excludes Revenue Supported Debt
As of June 30, 2025

FY Ended 6/30	Existing General Obligation Debt As of June 30, 2025 ¹				General Obligation Bonds, Series 2025				Total Bonded Debt Service Requirements ¹				% All Principal Repaid		
	Principal	Interest ²	QSCB Sinking Fund Deposits	QSCB Sinking Fund ³	TOTAL	Principal	Interest ²	QSCB Sinking Fund Deposits	QSCB Sinking Fund ³	TOTAL	Principal	Interest ²		QSCB Sinking Fund Deposits	QSCB Sinking Fund ³
2026	\$ 5,754,642	\$ 3,731,082	\$ 559,295	\$ -	\$ 10,045,019	\$ 603,330	\$ -	\$ -	\$ -	\$ 603,330	\$ 4,334,412	\$ 559,295	\$ -	\$ -	\$ 10,648,349
2027	14,026,636	3,335,016	48,000	(8,160,000)	9,249,652	1,285,200	1,285,200	0.00%	0.00%	1,285,200	4,620,216	48,000	(8,160,000)	-	10,534,852
2028	6,149,291	3,054,065	-	-	9,203,356	1,285,200	1,285,200	0.69%	0.69%	1,485,200	4,339,265	-	-	-	10,688,556
2029	6,020,466	2,770,189	-	-	8,790,655	1,055,000	1,275,200	4.30%	4.30%	2,330,200	4,045,389	-	-	-	11,120,855
2030	5,294,371	2,493,909	-	-	7,788,280	1,110,000	1,222,450	8.11%	8.11%	2,332,450	3,716,359	-	-	-	10,120,730
2031	5,404,157	2,255,601	-	-	7,659,758	1,160,000	1,166,950	12.08%	12.08%	2,326,950	3,422,551	-	-	-	9,986,708
2032	4,516,408	2,013,862	-	-	6,530,270	1,108,950	1,108,950	16.27%	16.27%	2,328,950	3,122,812	-	-	-	8,859,220
2033	4,728,605	1,806,325	-	-	6,534,930	1,285,000	1,047,950	20.67%	20.67%	2,332,950	2,854,275	-	-	-	8,867,880
2034	4,943,802	1,588,917	-	-	6,532,719	983,700	983,700	25.30%	25.30%	2,333,700	2,572,617	-	-	-	8,866,419
2035	5,171,132	1,361,467	-	-	6,532,599	1,415,000	916,200	30.15%	30.15%	2,331,200	2,277,667	-	-	-	8,863,799
2036	5,319,462	1,124,522	-	-	6,443,984	1,485,450	845,450	35.24%	35.24%	2,330,450	1,969,972	-	-	-	8,774,434
2037	3,927,092	911,744	-	-	4,838,836	1,560,000	771,200	40.59%	40.59%	2,331,200	1,682,944	-	-	-	7,170,036
2038	4,082,290	754,660	-	-	4,836,950	1,640,000	693,200	46.21%	46.21%	2,332,200	1,447,860	-	-	-	7,170,150
2039	4,242,486	591,368	-	-	4,833,854	1,705,000	627,600	52.06%	52.06%	2,332,600	1,218,968	-	-	-	7,166,454
2040	4,093,083	409,324	-	-	4,502,407	1,775,000	559,400	58.14%	58.14%	2,334,400	968,724	-	-	-	6,836,807
2041	2,911,000	232,640	-	-	3,143,640	1,840,000	488,400	64.45%	64.45%	2,328,400	721,040	-	-	-	5,472,040
2042	2,905,000	116,200	-	-	3,021,200	1,915,000	414,800	71.01%	71.01%	2,329,800	531,000	-	-	-	5,351,000
2043	-	-	-	-	-	1,990,000	338,200	77.84%	77.84%	2,328,200	338,200	-	-	-	2,328,200
2044	-	-	-	-	-	2,070,000	238,600	84.93%	84.93%	2,330,600	258,600	-	-	-	2,328,600
2045	-	-	-	-	-	2,155,000	175,800	92.32%	92.32%	2,330,800	175,800	-	-	-	2,330,800
2046	-	-	-	-	-	2,240,000	89,600	100.00%	100.00%	2,329,600	89,600	-	-	-	2,329,600
	\$ 89,489,923	\$ 28,530,891	\$ 607,295	\$ (8,160,000)	\$ 110,488,109	\$ 29,170,000	\$ 16,157,380	100.00%	100.00%	\$ 45,327,380	\$ 44,708,271	\$ 607,295	\$ (8,160,000)	\$ -	\$ 153,815,489

NOTES:

¹ The above figures do not include short-term notes outstanding, if any, and excludes the revenue supported debt listed on the following pages. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. Does not include the Aerospace Park Bonds, Series 2018, guaranteed by the City and outstanding in the amount of \$1,400,000 payable through the General Fund.

² The City budgets to account for interest rate risk on its variable rate debt. See the Notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS.

³ As of June 30, 2025, there is still \$8,160,000 outstanding, though the City has deposited \$7,552,707 in the QSCB sinking fund, leaving a total of \$607,293 remaining to be deposited.

⁴ True Interest Cost of 4.01%.

CITY OF JOHNSON CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS
 School Sales Tax Revenue Supported

FY Ended	Existing Sales Tax Supported			Less:			General Obligation Refunding			Total Bonded Debt Service Requirements ¹			% All Principal Repaid
	As of June 30, 2025 ¹	Principal	Interest ²	TOTAL	Bonds Being Refunded	Principal	Interest	TOTAL	Bonds, Series 2026A	Principal	Interest ²	TOTAL	
6/30													
2026	\$ 2,830,000	\$ 1,436,800	\$ 4,266,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,830,000	\$ 1,436,800	\$ 4,266,800	9.67%
2027	2,935,000	1,295,300	4,230,300	(1,985,000)	(897,000)	(2,020,000)	709,319	2,729,319	2,970,000	2,970,000	1,107,619	4,077,619	19.81%
2028	3,055,000	1,148,550	4,203,550	(2,955,000)	(797,750)	2,075,000	624,600	2,699,600	3,075,000	3,075,000	975,400	4,050,400	30.32%
2029	3,180,000	995,800	4,175,800	(2,125,000)	(695,000)	2,125,000	541,600	2,666,600	3,180,000	3,180,000	842,400	4,022,400	41.18%
2030	3,305,000	836,800	4,141,800	(2,200,000)	(588,750)	2,175,000	456,600	2,631,600	3,280,000	3,280,000	704,650	3,984,650	52.38%
2031	3,440,000	671,550	4,111,550	(2,280,000)	(478,750)	2,235,000	369,600	2,604,600	3,395,000	3,395,000	562,400	3,957,400	63.98%
2032	3,560,000	510,250	4,070,250	(2,355,000)	(364,750)	2,285,000	280,200	2,565,200	3,490,000	3,490,000	425,700	3,915,700	75.90%
2033	3,695,000	343,400	4,038,400	(2,440,000)	(247,000)	2,345,000	188,800	2,533,800	3,600,000	3,600,000	285,200	3,885,200	88.20%
2034	2,600,000	170,250	2,770,250	(2,500,000)	(125,000)	2,375,000	95,000	2,470,000	2,475,000	2,475,000	140,250	2,615,250	96.65%
2035	105,000	40,250	145,250	-	-	-	-	-	105,000	105,000	40,250	145,250	97.01%
2036	110,000	35,000	145,000	-	-	-	-	-	110,000	110,000	35,000	145,000	97.39%
2037	115,000	30,600	145,600	-	-	-	-	-	115,000	115,000	30,600	145,600	97.78%
2038	120,000	26,000	146,000	-	-	-	-	-	120,000	120,000	26,000	146,000	98.19%
2039	125,000	21,200	146,200	-	-	-	-	-	125,000	125,000	21,200	146,200	98.62%
2040	130,000	16,200	146,200	-	-	-	-	-	130,000	130,000	16,200	146,200	99.06%
2041	135,000	11,000	146,000	-	-	-	-	-	135,000	135,000	11,000	146,000	99.52%
2042	140,000	5,600	145,600	-	-	-	-	-	140,000	140,000	5,600	145,600	100.00%
	<u>\$ 29,580,000</u>	<u>\$ 7,594,550</u>	<u>\$ 37,174,550</u>	<u>\$ (17,940,000)</u>	<u>\$ (4,194,000)</u>	<u>\$ 17,635,000</u>	<u>\$ 3,265,719</u>	<u>\$ 20,900,719</u>	<u>\$ 29,275,000</u>	<u>\$ 6,666,269</u>	<u>\$ 35,941,269</u>		

NOTES:

¹ The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. This debt is backed by the full faith and credit of the C

² The City budgets to account for interest rate risk on its variable rate debt. See the Notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS.

³ Budgeted Coupon Rate of 4.00%.

CITY OF JOHNSON CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS
 Water and Sewer System Revenue Supported
 As of June 30, 2025

FY Ended	Existing Water and Sewer Debt As of June 30, 2025 ¹			General Obligation Bonds, Series 2025			% 2025			Total Bonded Debt Service Requirements ¹			% All Principal Repaid
	Principal	Interest ²	TOTAL	Principal	Interest	TOTAL	Principal	Interest ²	TOTAL	Principal	Interest ²	TOTAL	
6/30													
2026	5,244,849	3,159,130	8,403,979	-	439,544	439,544	0.00%	5,244,849	3,598,674	8,843,523	4.97%		
2027	4,912,624	2,936,842	7,849,467	-	936,306	936,306	0.00%	4,912,624	3,873,149	8,785,773	9.63%		
2028	5,113,894	2,745,276	7,859,171	100,000	936,306	1,036,306	0.46%	5,213,894	3,681,583	8,895,477	14.58%		
2029	5,298,804	2,542,211	7,841,014	425,000	931,306	1,356,306	2.42%	5,723,804	3,473,517	9,197,321	20.01%		
2030	5,432,141	2,331,025	7,763,166	445,000	910,056	1,355,056	4.47%	5,877,141	3,241,081	9,118,222	25.58%		
2031	5,694,775	2,111,514	7,806,289	465,000	887,806	1,352,806	6.62%	6,159,775	2,999,320	9,159,095	31.42%		
2032	4,151,110	1,887,250	6,038,360	490,000	864,556	1,354,556	8.88%	4,641,110	2,751,806	7,392,917	35.83%		
2033	4,319,676	1,724,182	6,043,859	515,000	840,056	1,355,056	11.25%	4,834,676	2,564,239	7,398,915	40.41%		
2034	4,483,423	1,553,781	6,037,205	540,000	814,306	1,354,306	13.74%	5,023,423	2,368,088	7,391,511	45.18%		
2035	4,712,223	1,376,242	6,088,465	565,000	787,306	1,352,306	16.35%	5,277,223	2,163,548	7,440,771	50.18%		
2036	4,866,213	1,190,928	6,057,141	595,000	759,056	1,354,056	19.09%	5,461,213	1,949,985	7,411,197	55.36%		
2037	5,033,099	1,021,651	6,054,750	625,000	729,306	1,354,306	21.97%	5,658,099	1,750,957	7,409,056	60.73%		
2038	5,197,619	846,104	6,043,723	655,000	698,056	1,353,056	24.99%	5,852,619	1,544,160	7,396,779	66.28%		
2039	5,372,347	663,074	6,035,421	685,000	671,856	1,356,856	28.15%	6,057,347	1,334,930	7,392,277	72.03%		
2040	4,676,887	461,761	5,138,648	710,000	644,456	1,354,456	31.43%	5,386,887	1,106,217	6,493,105	77.13%		
2041	3,563,002	288,371	3,851,373	740,000	616,056	1,356,056	34.84%	4,303,002	904,428	5,207,429	81.22%		
2042	3,639,762	171,429	3,811,191	770,000	586,456	1,356,456	38.39%	4,409,762	757,885	5,167,647	85.40%		
2043	1,952,818	51,789	2,004,607	800,000	555,656	1,355,656	42.08%	2,752,818	607,445	3,360,264	88.01%		
2044	17,579	2,409	19,988	830,000	523,656	1,353,656	45.91%	847,579	526,065	1,373,644	88.81%		
2045	18,159	1,829	19,988	865,000	490,456	1,355,456	49.90%	883,159	492,285	1,375,444	89.65%		
2046	18,758	1,230	19,988	900,000	455,856	1,355,856	54.05%	918,758	457,086	1,375,844	90.52%		
2047	19,377	611	19,988	935,000	419,856	1,354,856	58.36%	954,377	420,468	1,374,844	91.43%		
2048	8,261	67	8,328	975,000	381,288	1,356,288	62.85%	983,261	381,355	1,364,616	92.36%		
2049	-	-	-	1,015,000	341,069	1,356,069	67.54%	1,015,000	341,069	1,356,069	93.32%		
2050	-	-	-	1,055,000	299,200	1,354,200	72.40%	1,055,000	299,200	1,354,200	94.32%		
2051	-	-	-	1,100,000	254,363	1,354,363	77.47%	1,100,000	254,363	1,354,363	95.37%		
2052	-	-	-	1,145,000	207,613	1,352,613	82.75%	1,145,000	207,613	1,352,613	96.45%		
2053	-	-	-	1,195,000	158,950	1,353,950	88.26%	1,195,000	158,950	1,353,950	97.59%		
2054	-	-	-	1,245,000	108,163	1,353,163	94.01%	1,245,000	108,163	1,353,163	98.77%		
2055	-	-	-	1,300,000	55,250	1,355,250	100.00%	1,300,000	55,250	1,355,250	100.00%		
	\$ 83,747,400	\$ 27,068,708	\$ 110,816,108	\$ 21,685,000	\$ 17,304,169	\$ 38,989,169		\$ 105,432,400	\$ 44,372,877	\$ 149,805,277			

NOTES:

¹ The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. This debt is backed by the full faith and credit of the City of Johnson City, Tennessee.
² The City budgets to account for interest rate risk on its variable rate debt. See the Notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS.
³ True Interest Cost of 4.01%.

CITY OF JOHNSON CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS
Stormwater Revenue Supported and General Obligation Debt
As of June 30, 2025

FY Ended	Existing Stormwater Debt As of June 30, 2025 ¹			General Obligation Bonds, Series 2025			% 2025 Principal Repaid			Total Bonded Debt Service Requirements ¹			% Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest ²	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
6/30													
2026	478,000	292,253	770,253	-	40,138	40,138	478,000	332,390	810,390	478,000	332,390	810,390	5.06%
2027	491,000	275,603	766,603	-	85,500	85,500	491,000	361,103	852,103	491,000	361,103	852,103	10.26%
2028	512,000	258,059	770,059	50,000	85,500	135,500	562,000	343,559	905,559	562,000	343,559	905,559	16.21%
2029	533,000	238,559	771,559	70,000	83,000	153,000	603,000	321,559	924,559	603,000	321,559	924,559	22.60%
2030	554,000	218,209	772,209	70,000	79,500	149,500	624,000	297,709	921,709	624,000	297,709	921,709	29.20%
2031	580,000	195,709	775,709	75,000	76,000	151,000	655,000	271,709	926,709	655,000	271,709	926,709	36.14%
2032	598,000	173,353	771,353	80,000	72,250	152,250	678,000	245,603	923,603	678,000	245,603	923,603	43.32%
2033	619,000	150,289	769,289	85,000	68,250	153,250	704,000	218,539	922,539	704,000	218,539	922,539	50.77%
2034	647,000	126,398	773,398	90,000	64,000	154,000	737,000	190,398	927,398	737,000	190,398	927,398	58.58%
2035	288,000	101,380	389,380	95,000	59,500	154,500	383,000	160,880	543,880	383,000	160,880	543,880	62.63%
2036	304,000	88,360	392,360	95,000	54,750	149,750	399,000	143,110	542,110	399,000	143,110	542,110	66.86%
2037	315,000	76,200	391,200	100,000	50,000	150,000	415,000	126,200	541,200	415,000	126,200	541,200	71.25%
2038	326,000	63,600	389,600	105,000	45,000	150,000	431,000	108,600	539,600	431,000	108,600	539,600	75.82%
2039	342,000	50,560	392,560	110,000	40,800	150,800	452,000	91,360	543,360	452,000	91,360	543,360	80.60%
2040	353,000	36,880	389,880	115,000	36,400	151,400	468,000	73,280	541,280	468,000	73,280	541,280	85.56%
2041	369,000	22,760	391,760	120,000	31,800	151,800	489,000	54,560	543,560	489,000	54,560	543,560	90.73%
2042	200,000	8,000	208,000	125,000	27,000	152,000	325,000	35,000	360,000	325,000	35,000	360,000	94.18%
2043	-	-	-	130,000	22,000	152,000	130,000	22,000	152,000	130,000	22,000	152,000	95.55%
2044	-	-	-	135,000	16,800	151,800	135,000	16,800	151,800	135,000	16,800	151,800	96.98%
2045	-	-	-	140,000	11,400	151,400	140,000	11,400	151,400	140,000	11,400	151,400	98.46%
2046	-	-	-	145,000	5,800	150,800	145,000	5,800	150,800	145,000	5,800	150,800	100.00%
	<u>\$ 7,509,000</u>	<u>\$ 2,376,169</u>	<u>\$ 9,885,169</u>	<u>\$ 1,935,000</u>	<u>\$ 1,055,388</u>	<u>\$ 2,990,388</u>	<u>\$ 9,444,000</u>	<u>\$ 3,431,556</u>	<u>\$ 12,875,556</u>	<u>\$ 9,444,000</u>	<u>\$ 3,431,556</u>	<u>\$ 12,875,556</u>	

NOTES:

¹ The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. This debt is backed by the full faith and credit of the City.

² Budgeted True Interest Cost of 4.01%.

CITY OF JOHNSON CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Solid Waste System
Revenue Supported and General Obligation Debt

As of June 30, 2025

FY Ended 6/30	Total Bonded Debt Service Requirements ¹			% Principal Repaid
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	
2026	\$ 105,000	\$ 90,400	\$ 195,400	4.96%
2027	115,000	85,150	200,150	10.40%
2028	115,000	79,400	194,400	15.84%
2029	120,000	73,650	193,650	21.51%
2030	125,000	67,650	192,650	27.42%
2031	135,000	61,400	196,400	33.81%
2032	140,000	56,000	196,000	40.43%
2033	145,000	50,400	195,400	47.28%
2034	150,000	44,600	194,600	54.37%
2035	155,000	38,600	193,600	61.70%
2036	165,000	32,400	197,400	69.50%
2037	170,000	25,800	195,800	77.54%
2038	175,000	19,000	194,000	85.82%
2039	185,000	12,000	197,000	94.56%
2040	55,000	4,600	59,600	97.16%
2041	60,000	2,400	62,400	100.00%
	<u>\$ 2,115,000</u>	<u>\$ 743,450</u>	<u>\$ 2,858,450</u>	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. This debt is backed by the full faith and credit of the City.

FINANCIAL INFORMATION

INTRODUCTION

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the City. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures are recognized in the period that the obligation is incurred. Interest on bonded debt is not accrued.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues of such funds are recognized when they are earned and expenses when they are incurred except for prepaid expenses, which are fully expended at the time of payment.

The City has entered into an interest rate swap agreement. For additional information on the interest rate swap agreement, please refer to the “Note 4 Detailed Note on All Funds” in the Notes to Financial Statements located in the General Purpose Financial Statements herein.

FUND BALANCES AND NET ASSETS

The following table depicts fund balances or net assets for the last five fiscal years ending June 30:

	<u>For the Fiscal Year Ended June 30</u>				
<u>Fund Type</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<i>Governmental Funds:</i>					
General	\$45,461,556	\$ 52,953,945	\$ 57,578,485	\$ 54,397,119	\$31,366,681
School Fund	10,209,032	17,314,970	20,200,253	18,128,839	18,577,416
Debt Service Fund	-	-	711	76,546	-
Sch Capital Project	6,136,193	7,242,249	8,032,270	8,909,780	3,759,599
Other Governmental	<u>25,242,101</u>	<u>63,233,421</u>	<u>39,695,080</u>	<u>25,148,253</u>	<u>19,574,410</u>
Total	<u>\$87,048,882</u>	<u>\$141,198,877</u>	<u>\$125,506,799</u>	<u>\$106,660,537</u>	<u>\$73,278,106</u>
<i>Proprietary Net Assets:</i>					
Water & Sewer	\$149,451,587	\$161,262,940	\$165,518,688	\$179,761,670	\$185,462,753
City Solid Waste	12,578,084	13,662,591	13,860,128	13,379,030	12,863,860
PBA	-	-	-	-	-
Other Non-major	<u>26,347,639</u>	<u>28,397,121</u>	<u>30,309,530</u>	<u>31,417,791</u>	<u>31,191,973</u>
Total	<u>\$188,377,310</u>	<u>\$203,322,652</u>	<u>\$209,688,346</u>	<u>\$224,558,491</u>	<u>\$229,518,586</u>

Source: Annual Comprehensive Financial Reports of the City of Johnson City, Tennessee.

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CITY OF JOHNSON CITY, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenues:					
Taxes	\$ 77,216,109	\$ 82,892,884	\$ 87,202,991	\$ 92,293,225	\$ 94,429,675
Licenses and Permits	1,030,760	1,102,607	1,163,405	1,337,887	1,594,718
Intergovernment Revenue	15,136,181	13,804,790	16,212,422	14,247,650	15,614,547
Charges for Services	1,844,222	1,895,502	1,924,560	2,375,868	2,407,113
Fines and Forfeits	778,964	793,102	578,769	517,046	484,357
Revenue from Use of Facilities	1,599,127	2,031,612	2,434,306	2,837,888	2,922,007
Interest Income	215,207	238,609	895,957	1,191,899	548,096
Miscellaneous Revenues	631,382	1,487,158	1,155,256	1,233,113	2,207,657
Total Revenues	<u>\$ 98,451,952</u>	<u>\$ 104,246,264</u>	<u>\$ 111,567,666</u>	<u>\$ 116,034,576</u>	<u>\$ 120,208,170</u>
Expenditures and Other Uses:					
General Government	\$ 16,038,866	\$ 17,540,335	\$ 24,048,308	\$ 24,879,853	\$ 25,570,317
Public Safety	27,945,395	29,024,150	31,512,897	33,066,346	37,072,831
Public Works	15,367,182	13,520,874	16,842,054	18,354,599	19,081,929
Public Welfare	6,663,554	7,400,616	8,262,875	9,342,536	10,019,907
Capital Outlay	-	334,666	2,681,573	-	-
Debt Service	134,600	201,450	299,493	313,376	467,964
Total Expenditures	<u>\$ 66,149,597</u>	<u>\$ 68,022,091</u>	<u>\$ 83,647,200</u>	<u>\$ 85,956,710</u>	<u>\$ 92,212,948</u>
Excess of Revenues & Over (under) Expenditures	\$ 32,302,355	\$ 36,224,173	\$ 27,920,466	\$ 30,077,866	\$ 27,995,222
Other Financing Sources (Uses):					
Operating Transfers from General Fund	\$ 701,918	\$ 893,901	\$ 3,278,970	\$ 1,275,576	\$ 3,003,768
Operating Transfers to General Fund	(22,940,941)	(30,117,995)	(28,194,630)	(32,859,296)	(28,846,049)
Capital Lease	-	266,996	48,359	-	-
Sale of Equipment or Real Estate	254,371	225,314	3,611	1,120,964	1,816,621
Bond/Note Proceeds	-	-	1,567,764	-	-
Total Other Financing Sources (Uses)	<u>\$ (21,984,652)</u>	<u>\$ (28,731,784)</u>	<u>\$ (23,295,926)</u>	<u>\$ (30,462,756)</u>	<u>\$ (24,025,660)</u>
Extraordinary Item - Legal Settlement	\$ -	\$ -	\$ -	\$ -	\$ (27,000,000)
Excess of Revenue and Other Sources over (Under) Expenditures and Other Sources	\$ 10,317,703	\$ 7,492,389	\$ 4,624,540	\$ (384,890)	\$ (23,030,438)
Fund Balance July 1	\$ 35,120,517	\$ 45,438,220	\$ 52,953,945	\$ 57,578,485	\$ 54,862,838
Prior Period Adjustment	<u>\$ -</u>	<u>\$ 23,336</u>	<u>\$ -</u>	<u>\$ (2,330,757)</u>	<u>\$ (465,719)</u>
Fund Balance June 30	<u>\$ 45,438,220</u>	<u>\$ 52,953,945</u>	<u>\$ 57,578,485</u>	<u>\$ 54,862,838</u>	<u>\$ 31,366,681</u>

Source: Annual Comprehensive Financial Report for City of Johnson City, Tennessee

CITY OF JOHNSON CITY, TENNESSEE
 Summary of Revenues, Expenditures and
 Changes In Net Assets - Water and Sewer Fund
 For the Fiscal Year Ended June 30

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating Revenues:					
Charges for Services	\$ 38,268,248	\$ 41,213,648	\$ 42,911,667	\$ 41,661,754	\$ 43,646,098
Other Revenue	868,404	722,382	577,229	635,844	498,563
Total Operating Revenues	\$ 39,136,652	\$ 41,936,030	\$ 43,488,896	\$ 42,297,598	\$ 44,144,661
Operating Expenses:					
Administration	\$ 911,871	\$ 923,065	\$ 992,633	\$ 1,067,905	\$ 1,218,405
Personnel Services	9,731,045	9,545,540	11,766,717	13,576,116	13,482,201
Contractual Services	1,286,067	1,492,025	1,431,473	1,571,012	1,894,280
Materials & Supplies	1,623,989	2,089,151	3,033,107	3,061,914	2,989,450
Repairs & Maintenance	2,437,916	2,683,360	3,423,483	2,404,343	2,912,971
Other Operating Expenses	4,938,391	4,642,764	5,291,133	5,566,844	5,864,358
Depreciation & Amortization	6,605,385	6,632,820	6,816,001	7,620,897	8,565,863
Total Operating Expenses	\$ 27,534,664	\$ 28,008,725	\$ 32,754,547	\$ 34,869,031	\$ 36,927,528
Net Operating Income	\$ 11,601,988	\$ 13,927,305	\$ 10,734,349	\$ 7,428,567	\$ 7,217,133
Non-Operating Income (Expenses):					
Investment Income	\$ 24	\$ (27,008)	\$ (138,133)	\$ 93,562	\$ 63,517
Interest Expense	(2,563,980)	(2,700,113)	(3,343,412)	(3,144,493)	(3,001,301)
Amortization-Bond Cost	(35,623)	42,262	(36,203)	(36,203)	(36,203)
Gain (Loss) on Asset Sale	7,015	(5,301)	67,459	(6,164)	(42,156)
Contributions	-	-	-	-	-
Other	67,454	-	-	67,456	67,456
Total Non-Operating Revenue (Expenses)	\$ (2,525,110)	\$ (2,690,160)	\$ (3,450,289)	\$ (3,025,842)	\$ (2,948,687)
Income (Loss) Before Transfers & Capital Contributions	\$ 9,076,878	\$ 11,237,145	\$ 7,284,060	\$ 4,402,725	\$ 4,268,446
Operating Transfers & Capital Contributions					
Transfer In	\$ -	\$ -	\$ -	\$ 2,404,109	\$ -
Transfer Out	(700,000)	(750,000)	(3,204,109)	(800,000)	(990,000)
Capital / Grant Contributions	-	1,324,208	175,797	8,472,335	2,422,637
Other	-	-	-	-	-
Total Operating Transfers	\$ (700,000)	\$ 574,208	\$ (3,028,312)	\$ 10,076,444	\$ 1,432,637
Net Income	\$ 8,376,878	\$ 11,811,353	\$ 4,255,748	\$ 14,479,169	\$ 5,701,083
Transfer - Depreciation to Contributed Capital	-	-	-	-	-
Change in Contributed Capital	-	-	-	-	-
Net Assets Prior Year	141,074,709	149,451,587	161,262,940	165,518,688	179,997,857
Prior Period Adjustment	-	-	-	-	(236,187)
Net Assets - June 30	\$ 149,451,587	\$ 161,262,940	\$ 165,518,688	\$ 179,997,857	\$ 185,462,753

Source: Audited Financial Statements.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by state statute and local policies and administered by the City Recorder. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the City. For reporting purposes, all investments are stated at cost which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and

equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the

assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and

adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the Tax Aggregate Report, property in the City reflected a ratio of appraised value to true market value of 0.7212 for Carter County, 0.6671 for Sullivan County and 1.00 for Washington County. The following table shows pertinent data for tax year 2024¹.

<u>Class</u>	<u>Estimated Assessed Valuation*</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value*</u>
Public Utilities	\$ 57,348,795*	55%	\$ 131,383,265*
Commercial & Industrial	163,280,671*	40%	549,569,706*
Personal Tangible Property	1,746,873,705*	30%	7032,937,143*
Residential, Farm & Open Space	<u>1,238,042,720*</u>	25%	<u>3,129,879,837*</u>
Total	<u>\$3,205,545,891*</u>		<u>\$10,843,769,951*</u>

¹ The tax year coincides with the calendar year, therefore tax year 2024 is actually fiscal year 2024-2025.

* The figures above represent all three counties that the City is located in.

Source: 2024 Tax Aggregate Report of Tennessee.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2025 (tax year 2024) is \$3,205,545,891* compared to \$2,188,017,285* for the fiscal year ending June 30, 2024 (tax year 2023). The estimated actual value of all taxable property for tax year 2024 is \$10,843,769,951* as compared to \$10,861,680,888* for tax year 2023.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2021 through 2025 as well as the aggregate uncollected balances for each fiscal year as of June 30, 2025.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr. Collections		Aggregate Uncollected Balance	
Tax Year ²	Assessed Valuation(a)	Tax Rates(b)	Adjusted Taxes Levied	Amount	Pct	As of June 30, 2025 Amount	Pct
2020	\$2,108,134,451	\$1.83/1.95/1.71	\$36,162,017	\$35,487,950	98.1%	\$ 60,280	0.2%
2021	2,127,506,128	1.55/1.55/1.73	36,944,099	36,226,944	98.1%	78,237	0.2%
2022	2,181,411,945	1.55/1.55/1.73	37,636,006	37,068,416	98.5%	23,017	0.1%
2023	2,188,017,285	1.80/1.80/1.98	43,386,254	42,581,006	98.1%	327,748	0.8%
2024	3,205,538,003	1.8775/2.0298/ 1.3541	43,812,576	42,842,103	97.8%	954,486	2.2%
2025	3,179,311,811	2.3965/1.3785/1.3785	44,882,152	IN PROGRESS			

(a) The property assessed valuation includes all three counties that the City is located in.

(b) The Tax Rate is for Carter County / Sullivan County / Washington County.

² The tax year coincides with the calendar year, therefore tax year 2025 is actually fiscal year 2025-2026.

Source: Annual Comprehensive Financial Reports of the City of Johnson City, Tennessee.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2025 (tax year 2024), the ten largest taxpayers in the City were as follows:

	<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessment</u>	<u>% of Total Taxable Assessment</u>
1.	Glimcher MJC LLC	Real Estate	\$ 24,399,840	0.8%
2.	Wal-Mart/Sams	Retail	20,541,656	0.6%
3.	Mountain States Properties	Property	17,244,485	0.5%
4.	American Water Heater Co	Water Heaters	16,272,904	0.5%
5.	Knob Creek Apts LLC	Apartments	16,175,640	0.5%
6.	Atmos Energy Corp	Natural Gas	15,802,790	0.5%
7.	The Villas at Mockingbird Lane	Apartments	13,197,920	0.4%
8.	Reserve Johnson City	Apartments	11,745,480	0.4%
9.	Boone Ridge	Apartments	11,694,880	0.4%
10.	UE Sub LLC	Apartments	11,327,120	0.4%
	TOTAL		<u>\$158,402,715</u>	

Source: Annual Comprehensive Financial Reports of the City of Johnson City, Tennessee.

LOCAL OPTION SALES TAX

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated*, as amended, (the "Act"), the County levies a county-wide local option sales tax. Under the Act, counties and incorporated cities may levy a sales tax on the same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or city is limited under State law to two and three-fourths percent (2 3/4%).

Pursuant to the Act, the levy of a sales tax by a county precludes any city from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax at a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2 3/4%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

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The City's share of the County-wide sales tax for the most recent five fiscal years indicated as follows:

**LOCAL OPTION SALES TAX
Collected Inside City Limits**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General Fund	\$25,563,699	\$29,081,519	\$31,315,513	\$32,029,871	\$33,385,974
Johnson City Schools	11,362,658	14,002,751	14,844,781	19,853,446	21,445,654
Washington Co Schools	14,225,474	16,754,186	17,791,498	21,251,558	22,161,850
Washington Co Trustee Pledged to People's Education Program	542,437	652,784	692,640	756,232	866,206
	<u>3,947,583</u>	<u>4,787,141</u>	<u>5,077,990</u>	<u>3,376,201</u>	<u>3,516,598</u>
Total Collections	<u>\$55,641,851</u>	<u>\$65,278,381</u>	<u>\$69,722,422</u>	<u>\$75,623,242</u>	<u>\$81,376,282</u>

Source: The City.

The Act authorizes a local jurisdiction, by resolution of its governing body, to pledge proceeds raised by the power and authority granted by the Act to the punctual payment of principal of and interest on bonds, notes or other evidence of indebtedness issued for purposes for which such proceeds were intended to be spent. The Board of Commissioners of the City has pledged a portion of the local option sales tax proceeds to bonded indebtedness of the City issued for the People's Education Program.

PENSION PLANS

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The City withdrew from TCRS effective July 1, 2010. Employees hired after the date of withdrawal are not eligible to participate in TCRS. These employees are eligible to participate in a 401(a) defined contribution plan. The employee must be 18 years of age and complete six months of service before beginning participation. The City contributes 5.00% for these employees. In addition

to the 401(a) plan, the City began offering a 457(b) plan. The employer will match the employee contribution to this plan 100%, not to exceed 3.00% of the covered compensation. Employees are 100% vested after five years. Total employer contributions for the year ended were \$8,121. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer.

For additional information on the funding status, trend information and actuarial status of the City's retirement programs, please refer to the Notes to Financial Statements located in the General Purpose Financial Statements herein.

OTHER POST EMPLOYMENT BENEFITS

Please refer to the Notes to the Financial Statements located in the City's Annual Comprehensive Financial Report for more information.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

CITY OF JOHNSON CITY, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2025

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the City of Johnson City for the fiscal year ended June 30, 2025 which is available upon request from the City.

The City of Johnson City's Annual Comprehensive Financing Report for the Year Ended June 30, 2025, can be found herein and at the links below:

<https://comptroller.tn.gov/content/dam/cot/la/advanced-search/2025/city/1730-2025-C-johnsoncity-rpt-cpa29-12-31-25.pdf>

or

[Financial Audit FY 2025 by City of Johnson City - Issuu](#)



Annual Comprehensive Financial Report

FOR THE YEAR ENDED JUNE 30, 2025

City of Johnson City, Tennessee

Annual Comprehensive Financial Report

For the Fiscal Year Ended
June 30, 2025



Prepared by:

Finance Department

Stephanie Laos, CPA, Director of Finance

City of Johnson City, Tennessee

Annual Comprehensive Financial Report

For the Fiscal Year Ended
June 30, 2025



Prepared by:

Finance Department

Stephanie Laos, CPA, Director of Finance

CITY OF JOHNSON CITY, TENNESSEE

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION

For the Fiscal Year Ended June 30, 2025

**CITY OF JOHNSON CITY, TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2025
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Office of Finance Director

December 31, 2025

To the Honorable Mayor, Members of the Board of Commissioners and Citizens of the City of Johnson City, Tennessee:

The Annual Comprehensive Financial Report of the City of Johnson City for the fiscal year ended June 30, 2025 is hereby submitted, in accordance with the provisions of Section 2-89 of the Johnson City Code. This report was completed and presented in conformity with generally accepted accounting principles and was audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report consists of the City's representations concerning the finances of the City of Johnson City. Consequently, the City assumes full responsibility for the completeness and reliability of all of the information presented in this report. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures that are necessary to enable the reader to gain an understanding of the City's financial structures have been included.

The City is required to undergo an annual single audit in conformity with the Single Audit Act of 1984 and the United States Office of Management and Budget Circular A-128, Audits of State and Local Governments. Information related to this single audit, including the findings and recommendations and the auditors' reports on the internal controls and compliance with applicable laws and regulations, are included as a part of this report.

This report includes all funds of the City, as well as all of its component units. Component units are legally separate entities for which the City is financially accountable. The Johnson City Public Library, Johnson City Development Authority, Industrial Development Board, the Johnson City Energy Authority (dba Brightridge), and Connect Downtown Johnson City, Inc. are discretely presented in the financial statements to emphasize that they are legally separate from the City.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it. Generally Accepted Accounting Principles (GAAP) require the inclusion of this transmittal letter and the MD&A in the City's audit report.

Financial Information

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that all assets of the City are protected from loss, theft or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not

absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and county financial assistance, the City is also responsible for ensuring that adequate internal controls are in place to facilitate compliance with applicable laws and regulations related to those programs. The internal controls are subject to periodic evaluation by management and the accounting staff of the City. As a part of the City's single audit, previously described, tests are made to determine the adequacy of the internal controls, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations.

The City Charter requires that an annual audit be made of the accounts, financial records and transactions of the City departments by a Certified Public Accountant. This fiscal year, the Certified Public Accounting Firm of Blackburn, Childers and Steagall, PLC audited all City funds and issued an unmodified ("clean") opinion on the financial statements.

In addition to internal controls, the City also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds are included in the annual appropriated budget. Project-length financial plans are adopted for all Capital Project Funds. The level of budgetary control is established on the department or activity level within an individual fund. Projected expenses for the Proprietary Funds and projected Transfers for all funds are included in the annual budget ordinance, as information items.

Profile of the Government

The City of Johnson City was incorporated in the year 1869 and operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the Board of Commissioners, consisting of the mayor and four other members. The Commission is responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing committees and hiring the City's manager. The City's manager is responsible for carrying out the policies and ordinances of the Commission, for over-seeing the day-to-day operations of the City and for appointing the heads of departments. The Commission is elected on a non-partisan basis. Board members serve four-year staggered terms, with an election every two years. The mayor is elected by his or her peers to serve a two-year term.

The City provides a full range of services, as directed by its charter. These services include police and fire protection, park and recreation activities, golf, a senior citizen's center, schools, street construction and maintenance, planning and zoning and general administrative services. In addition, water and sewer, transit service, solid waste services, landfill and stormwater are provided under the proprietary fund concept which requires user charges be collected to provide adequate resources to cover operating expenses and debt service. Both water and sewer and solid waste services are provided to patrons within and outside of the City limits. Additionally, the City operates internal service funds for vehicle fleet maintenance and self-insurance activities.

The Annual Budget serves as the foundation of the City's financial planning and fiscal control. The Board of Commissioners establishes the annual budget by ordinance which requires three individual readings at Commission meetings. On the first reading, the Commission is also required to hold a public hearing on the proposed budget where citizens may speak. The Commission is required to adopt the

budget no later than June 30, the close of the City’s previous fiscal year. The budget is prepared by fund and broad functional category, however, transfers may be made within broad categories without governing body approval. Spending in excess of the amount appropriated for any broad category requires approval by the Board of Commissioners. Amendments to the budget can be made throughout the year by adoption of a supplemental budget ordinance. Supplemental budget ordinances must also have three readings in Commission meetings, one of which also requires a public hearing.

Factors Affecting Financial Condition

Local Economy. The City has an estimated population of 73,635 in 2025 and is experiencing growth at a rate of approximately 0.26% annually. The City, along with the cities of Kingsport and Bristol, Tennessee and Virginia, comprise an area known as the “Tri-Cities” of Northeast Tennessee. The combined Metropolitan Statistical Areas (MSAs) have an estimated population of 602,222, with Johnson City being the largest of the three cities. The median age of the population of the City is 35 years with a median household income of \$55,429. The cost of living is lower (15%) than the national average.

The City’s unemployment rate was 3.6%, slightly above the statewide rate of 3.5%, but well below the nationwide rate of 4.1% (rates not seasonally adjusted). Business and industry in Johnson City are diverse and include retail, utilities, manufacturing, financial and medical services, as well as other services. The City’s economic base is still firmly rooted in institutional services. The three largest employers are East Tennessee State University, Ballad Health, and the James H Quillen Department of Veteran’s Affairs Medical Center, employing approximately 15.7% of the total City employment. The City of Johnson City provides funding and other support to the Aerospace Park, East Tennessee State University Fine and Performing Arts Center and Northeast Tennessee Regional Economic Partnership. The City’s involvement in these partnerships, as well as others, demonstrates a continued commitment to working for a stronger local economy, improved quality of life, community pride, responsible city government and a more attractive community.

The City continues to grow through local development efforts and initiatives. The property tax levy grew 1.2% over the prior year. The City is experiencing significant growth both in residential and commercial properties. Building permit revenues exceeded budget expectations by 24% reflecting the high demand for affordable housing. The City expects to see continued growth as it is frequently cited as a top choice for “move-ins” based on affordability, access to outdoor recreation, and a good balance of small-town feel with big city amenities.

The Board of Commissioners of the City of Johnson City are dedicated to the mission of the City which is to enrich the quality of life in Johnson City. To support this mission, they have set their focus on four guiding principles: Economic Vitality, Quality of Place, Future-Ready Infrastructure, and Excellence in Government. Examples of achievements in those core areas are:

Economic Vitality

- Burlington Mills development. \$240 million residential and retail development with 1,049 residential units and 100,000 square feet of retail space. Expected \$103.3 million economic impact with jobs, sales tax, and property taxes.
- John Sevier Center redevelopment. \$66 million investment by development group for retail, dining, and hotel space. Relocated residents to the new Tapestry at Roan Hill development.
- West Walnut Street. 4 years of construction, \$41 million investment with pedestrian friendly-streetscape, traffic-calming features, and updated infrastructure

Quality of Place

- Lower Tannery Knob bicycle playground, pavilion, restrooms, etc.
- Opening of downtown dog park.
- Renovation of Metro-Kiwanis park
- Safe City Project with Flock Group, Inc. to enhance investigative operations and increase safety
- Horizon 2045 Grown Management Plan

Future-Ready Infrastructure

- Iris Glen Landfill expansion adding approximately 40 years of life
- Knob Creek road infrastructure improvements
- Towne Acres Elementary School build – ground breaking in November 2025
- JC Builds initiative to reduce barriers to successful building and development

Excellence in Government

- Commission Chambers Renovation with increased seating and enhanced security
- Fire Training Center officially open in October 2025
- GFOA Awards for budget and annual financial report
- Retained Moody's As2 rating

Tax Abatements. Pursuant to Tennessee Code Annotated, localities are permitted to enter into lease agreements with various businesses for such payments when deemed beneficial for the betterment of the City. The City has authorized the Industrial Development Board (IDB) to administer and monitor such agreements. Agreements are negotiated on an individual basis and are governed by the City's Economic Capital Investment Program.

The Economic Capital Investment Program outlines the eligibility and scoring criteria for any proposed tax abatement agreement. Eligibility is reserved for industrial projects, distribution facilities and corporate office/headquarters. This program applies only to new investments; current real and personal property taxes are to remain unaffected. There must be (a) a new, taxable investment of at least \$1 million, (b) creation of at least 25 new full time equivalent positions paying at least 140% of Tennessee's minimum hourly wage, (c) must offer medical benefits to employees, (d) must demonstrate compliance and payment of all taxes for properties owned and located in Washington County, Tennessee, and (e) must demonstrate that the tax abatement is an important component to their overall plan. Once eligibility is determined, the organization is scored based on set scoring criteria which considers job creation, wages, and capital investment. Special consideration can be given based on key specific demographics of the organization such as their national recognition or proposed location. The score generated determines the level of incentive available. The performance of the organization in accordance with their agreement is monitored by the IDB using reports outlined in their specific agreement and due each year. Failure to meet the conditions may result in the abatement being adjusted or terminated.

As of June 30, 2025, the City had 5 (five) abatement agreements. Each of these agreements supports the strategic plan of the Board of Commissioners, most specifically, Economic Vitality. More information on the individual agreements is located in the notes to these financial statements. Detailed information including individual cost/benefit analyses are held by the IDB and can be obtained through a public records request.

Long-term financial planning. The City reported a decrease in fund balance in the General Fund this year due to the settlement of a long-term lawsuit in the spring of 2025 in the amount of \$27 million. The payment of this settlement has resulted in the City’s stabilization (“rainy day”) fund balance dropping below the policy guidelines set forth by the Board of Commissioners. Due to the fiscal responsibility and planned build-up of fund balance in previous years, the City has had the ability to withstand this significant decrease and has not had to resort to a reduction in workforce or services provided. The City took action in preparing the fiscal year 2026 budget to reduce operating costs and develop a plan to rebuild the fund balance back to pre-settlement levels.

As part of the annual budgeting process, the City reviews the Capital Improvement Plan (CIP) and sets priorities regarding the need for infrastructure, utilities, roads, and City facilities, both new and improvements to existing. Many of these projects and initiatives will be funded by debt issued over the coming several years. The first issuance of debt will be in the form of bonds issued in the winter of 2025 and will be used to partially fund the building of the new Towne Acres Elementary School, as well as several infrastructure projects in Public Works, Stormwater, and Water and Sewer. The City engaged a municipal advisory service to assist in the analysis and issuance of debt. Additional bonds will be issued in fiscal year 2027 to complete the school build as well as fund other projects identified.

Awards and Acknowledgements

The Government Finance Officers’ Association of the United States and Canada (GFOA) awarded the Certificate of Achievement in Excellence in Financial Reporting to the City of Johnson City for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2024. This marks the reinstatement of the award following a two-year hiatus. In order to be awarded this Certificate of Achievement, a government unit must publish an easily readable and organized report. This report must satisfy both generally accepted accounting principles and applicable legal requirements, as well as the stringent requirements of the program itself. Local governments must reapply each year for this award and their ACFR is evaluated each year against the required standards. We believe this report continues to meet these requirements.

The City also received GFOA’s Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2025 budget. In order to qualify for this award, the City’s budget document must be proficient as a policy document, a financial plan, an operational guide, and a communication device. This award could not have been achieved without the diligent work of the Budget Department.

The preparation of this Annual Comprehensive Financial Report (ACFR) could not have been accomplished without the skill, effort and dedication of the Accounting staff. I would like to express my appreciation to all staff members and personnel from other departments that assisted in the preparation of this report. I would also like to thank the Mayor, Commissioners and City Management for their guidance and support. Finally, credit is also due to the auditors for their assistance in the preparation of this report.

Respectfully submitted,



Stephanie S. Laos, CPA
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Johnson City
Tennessee**

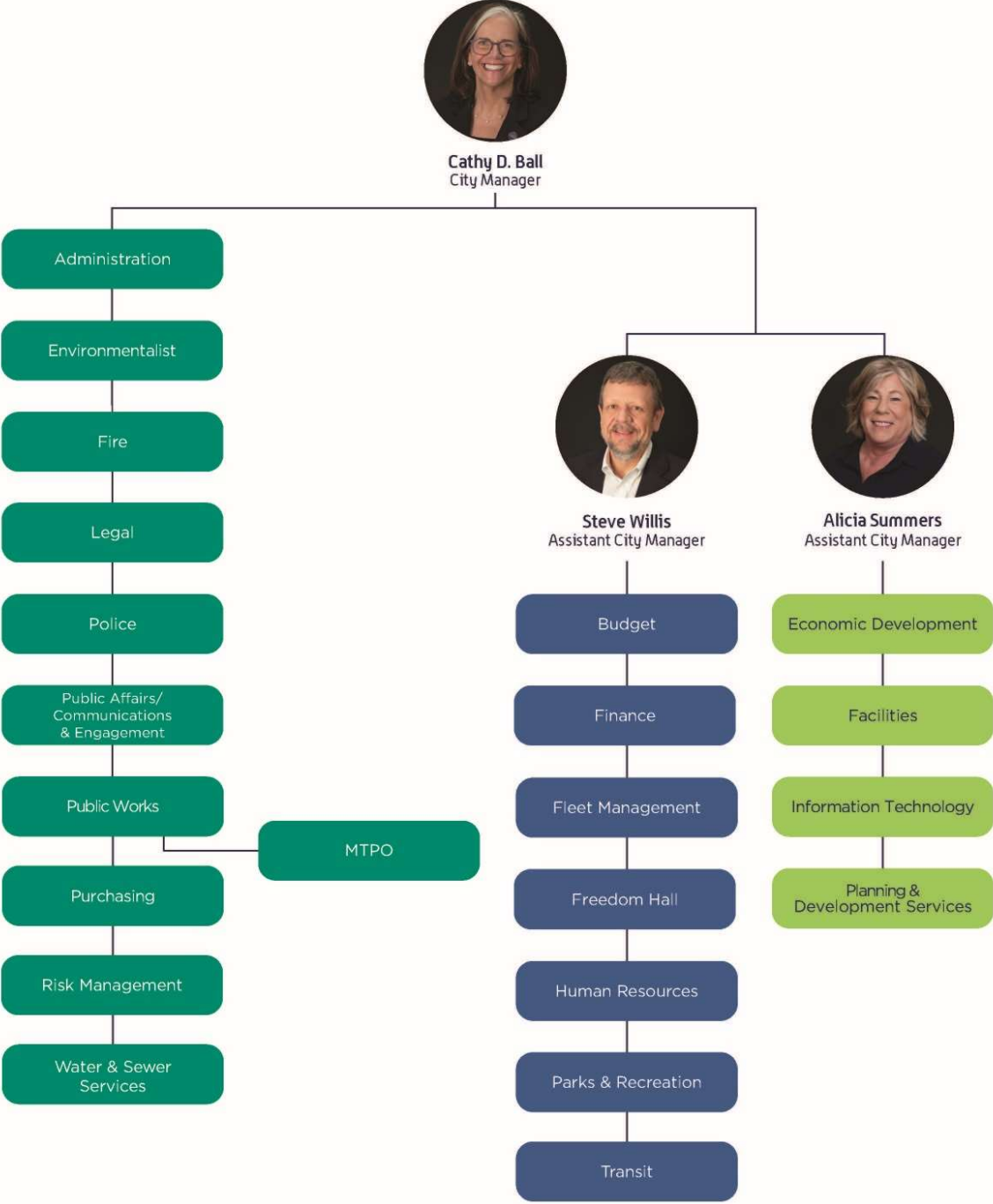
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

Organizational Chart - City of Johnson City, Tennessee



*As of 10/1/2025

**CITY OF JOHNSON CITY, TENNESSEE
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2025**

Board of Commissioners:

John Hunter, Mayor
Greg Cox, Vice Mayor
Jenny Brock
Todd Fowler
Joe Wise

City Judges:

Sharon Greene, Juvenile Judge
Stan Widener, City Judge

City Administration:

Cathy Ball, City Manager
Randy Trivette, Assistant City Manager
Steve Willis, Assistant City Manager
Alicia Summers, Assistant City Manager
Stephanie Laos, City Finance Director

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Commissioners
City of Johnson City, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the "City") as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of City of Johnson City, Tennessee's School's Internal School Fund, which represents 0.94 percent, 1.99 percent, and 1.05 percent, respectively, of the assets, fund balances, and revenues of the governmental funds as of June 30, 2025. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for City of Johnson City, Tennessee's School's Internal School Fund, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change of Accounting Principle

As described in Note 1 to the financial statements, in 2025, the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 and the pension and OPEB schedules, as detailed within the Required Supplementary Information section of the table of contents, on pages 166 through 177, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules and supplemental information, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors.

In our opinion, based on our audit and the report of other auditors, the combining and individual nonmajor fund financial statements and schedules and supplemental information, including the schedule of expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Blackburn, Childers + Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 31, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Johnson City, Tennessee (the City), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through v of this report. All amounts included in this management's discussion and analysis, unless otherwise indicated, are expressed in the thousands of dollars.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$488,782 (*net position*). Of this amount, \$411,547 is net investment in capital assets and \$29,520 is restricted for specific purposes.
- The City's overall net position decreased by \$10,795.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$73,278, a current year decrease of \$33,382. The decrease is the result of the use of fund balance to pay for a legal settlement as well as the use of debt service fund balance for projects. Of the ending fund balance, \$456 is nonspendable, \$9,763 is restricted, \$40,174 is committed for specific purposes, and \$22,911 is assigned.
- At the end of the current fiscal year, fund balance for the general fund was \$31,367, or 21% of total general fund expenditures including transfers out. This balance includes \$227 in nonspendable assets, \$874 of restricted funds, \$23,798 committed for specific purposes and \$6,468 assigned.
- The City's total outstanding long-term debt decreased \$16,068 (7.2%) during the current fiscal year due to principal repayments. No new debt was issued during the fiscal year.

Overview of the Financial Statements.

This narrative overview is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, etc.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks, recreation, culture and leisure, city services and education. The business-type activities of the City include water and sewer, city solid waste, regional solid waste, stormwater management, mass transit and building authority.

The government-wide financial statements include not only the City of Johnson City itself (known as the *primary government*), but also four legally separate entities for which the City is financially obligated, the Johnson City Public Library, Johnson City Development Authority, Industrial Development Board, Johnson City Energy Authority (dba Brightbridge), and Connect Downtown Johnson City, Inc. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The building authority, although also legally separate, functions almost entirely for the benefit of the City; therefore it has been reported as a part of the primary government. The government-wide financial statements can be found on pages 16 through 19 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, general purpose school fund, debt service fund, educational facilities debt service fund, and capital project fund, which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single aggregated presentation and summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and individual fund statements elsewhere in this report.

The City adopts an annual appropriation budget for its general and other major special revenue funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 20 through 41 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the water/sewer, city solid waste, regional solid waste, mass transit, stormwater management and public building authority. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet management and insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been primarily included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and city solid waste operations, both of which are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation and summarized under the heading "Nonmajor Proprietary Funds". Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

Data from the City's internal service funds (fleet management and insurance) are included in the proprietary fund financial statements under the heading "Governmental Activities – Internal Service Funds". Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 42 through 49 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one fiduciary fund. The NETCO fund is used to report resources held in a custodial capacity for the Northeast Tennessee Cooperative to use to make combined purchases for its member cities and counties. The fiduciary fund financial statement can be found on pages 50 through 51 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 54 through 165 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 166 through 177 of this report.

The individual statements for the debt service funds and combining statements, referred to earlier in connection with nonmajor governmental funds and nonmajor proprietary funds, are presented immediately following the required supplementary information on pensions and OPEB. These statements can be found on pages 178 through 203 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City of Johnson City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$488,782.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2024	2023
Current and other assets	\$ 193,512	\$ 217,619	\$ 50,421.44	\$ 56,970	\$ 243,933	\$ 274,589
Capital assets	327,404	320,834	290,787	281,717	618,191	602,551
Total assets	\$ 520,916	\$ 538,453	\$ 341,209	\$ 338,687	\$ 862,125	\$ 877,140
Total deferred outflows of resources	\$ 28,415	\$ 30,285	\$ 2,630	\$ 4,079	\$ 31,045	\$ 34,364
Long-term liabilities outstanding	\$ 176,350	\$ 182,452	\$ 97,636	\$ 110,000	\$ 273,986	\$ 292,452
Other liabilities	29,328	25,613	14,473	5,674	43,801	31,287
Total liabilities	\$ 205,678	\$ 208,065	\$ 112,109	\$ 115,674	\$ 317,787	\$ 323,739
Total deferred inflows of resources	\$ 84,390	\$ 83,742	\$ 2,211	\$ 1,446	\$ 86,601	\$ 85,188
Net position:						
Net investment in capital assets	\$ 207,607	\$ 197,899	\$ 203,940	\$ 195,184	\$ 411,547	\$ 393,083
Restricted	29,520	22,991	-	-	29,520	22,991
Unrestricted	22,136	56,041	25,579	30,462	47,715	86,503
Total net position	\$ 259,263	\$ 276,931	\$ 229,519	\$ 225,646	\$ 488,782	\$ 502,577

By far, the largest portion of the City's net position (84%) reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Consequently, they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (6%) represents resources that are subject to external restrictions on how they may be used.

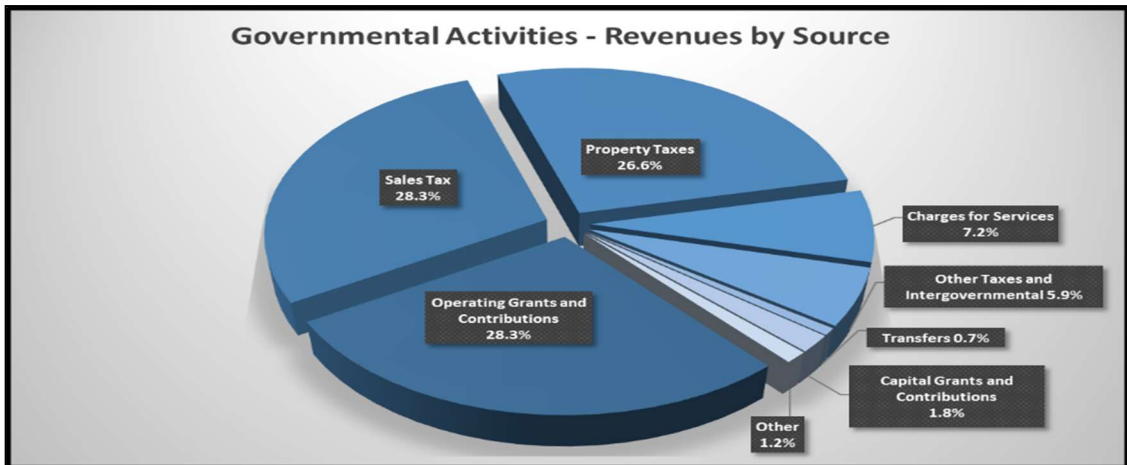
At the end of the current fiscal year, the City reports positive balances in all categories of net position both for the government as a whole, and for its governmental and business-type activities.

Governmental activities. During the current fiscal year, net position for governmental activities decreased by \$15,756. This decrease is directly related to a legal settlement in the amount of \$27,000. This was partially offset by increased revenues and reduced operating costs. Governmental activities reported an ending net position balance of \$259,263.

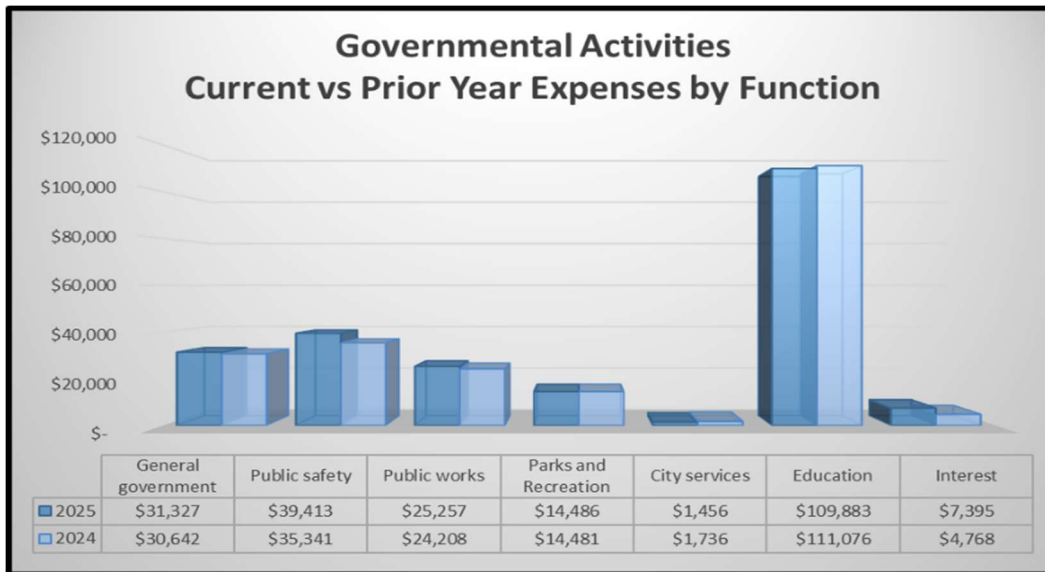
Revenues. The City's governmental revenue totaling \$237,888 exceeded the prior year by \$4,603. This increase was attributable to an increase in Sales Tax Revenue of 4.2% and Other Taxes and Intergovernmental Revenue of 7.9%. The increase in other taxes was driven by a sharp increase in Room Occupancy Taxes (\$680 or 20.9%) which is largely attributed to the Big South basketball tournament held at Freedom Hall in the spring.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 17,155	\$ 16,835	\$ 66,994	64,532	\$ 84,149	\$ 81,367
Operating grants & contributions	67,351	66,277	3,585	2,982	70,936	69,259
Capital grants & contributions	4,229	4,533	2,807	9,034	7,036	13,567
General revenues:						
Property taxes	63,277	63,269	-	-	63,277	63,269
Sales taxes	67,313	64,584	-	-	67,313	64,584
Other taxes	14,005	12,982	-	-	14,005	12,982
Unrestricted investment earnings	2,540	3,551	64	97	2,604	3,648
Other	305	1,254	-	8	305	1,262
Total revenues	\$ 236,175	\$ 233,285	\$ 73,450	\$ 76,653	\$ 309,625	\$ 309,938
Expenses:						
General government	\$ 31,380	\$ 30,642	\$ -	\$ -	\$ 31,380	\$ 30,642
Public safety	39,413	35,341	-	-	39,413	35,341
Public works	25,257	24,208	-	-	25,257	24,208
Parks, recreation, culture, & leisure	14,486	14,481	-	-	14,486	14,481
City services	1,456	1,736	-	-	1,456	1,736
Education	109,883	111,076	-	-	109,883	111,076
Interest on long-term debt	4,769	4,768	-	-	4,769	4,768
Water and sewer	-	-	39,940	37,537	39,940	37,537
City solid waste	-	-	15,048	14,397	15,048	14,397
Regional solid waste	-	-	4,285	4,457	4,285	4,457
Mass transit	-	-	5,343	5,292	5,343	5,292
Stormwater management	-	-	2,160	1,868	2,160	1,868
Total expenses	\$ 226,644	\$ 222,252	\$ 66,776	\$ 63,551	\$ 293,420	\$ 285,803
Increase (decrease) in net position before transfers	\$ 9,531	\$ 11,033	\$ 6,674	\$ 13,102	\$ 16,205	\$ 24,135
Transfers	1,713	(2,856)	(1,713)	2,856	-	-
Extraordinary item - legal settlement	(27,000)	-	-	-	(27,000)	-
Increase (decrease) in net position	\$ (15,756)	\$ 8,177	\$ 4,961	\$ 15,958	\$ (10,795)	\$ 24,135
Net position, beginning	275,534	268,615	224,931	209,688	500,465	478,303
Prior period restatement	(515)	139	(373)	-	(888)	139
Net position, ending	\$ 259,263	\$ 276,931	\$ 229,519	\$ 225,646	\$ 488,782	\$ 502,577

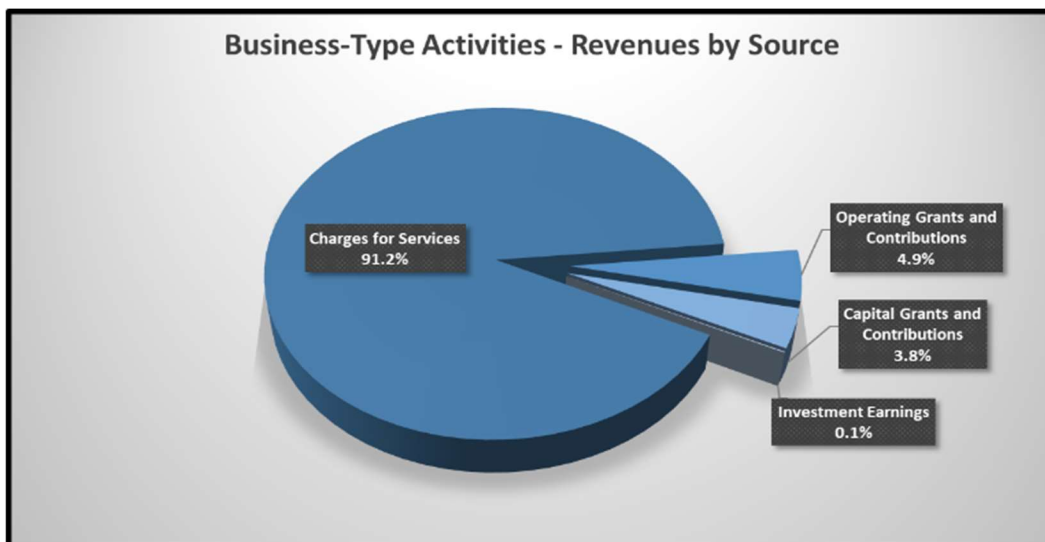


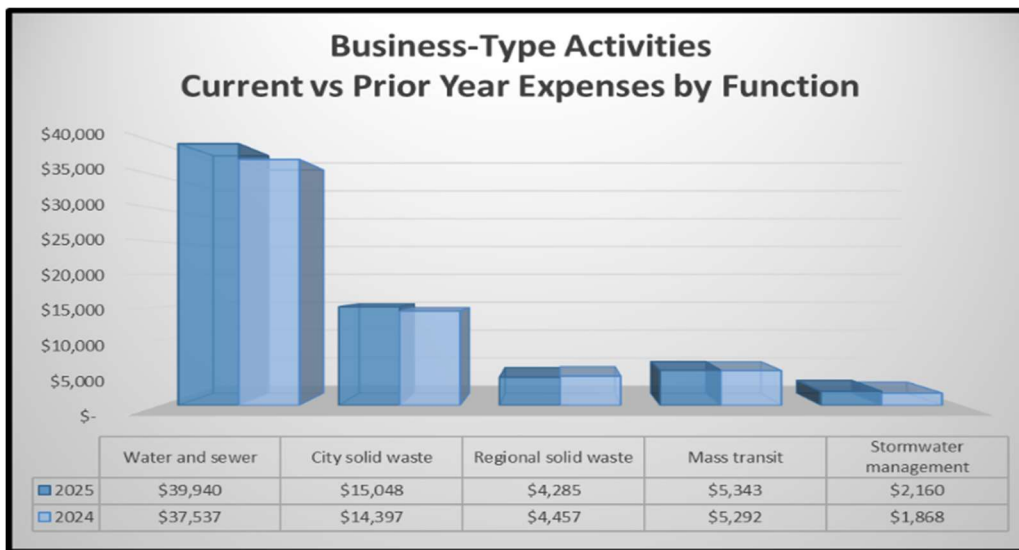
Expenses. Governmental activities expenses saw an increase in fiscal year 2025 due to the payment of a legal settlement in the amount of \$27,000. This expense is reflected as an extraordinary item on the financial statements. All other areas remained stable with the exception of Public Safety which saw an increase of 11.5% primarily due to small equipment and professional services expenses.



Business-type activities. The city’s business-type activities resulted in a net position increase of \$4,961, making their combined ending net position \$229,519. Key elements include:

- Water and Sewer Activities contributed \$5,701 of net position growth, including paying down \$4,891 in debt balances and investing \$16,212 in capital assets as indicated in the statement of cash flows located on pages 47 through 49 of this report.
- Regional Solid Waste activities contributed an increase of \$191 which is attributable to continued growth of the customer base outside of the City limits.
- Stormwater management experienced a net position increase of \$1,259. The majority of these funds were utilized for debt principal repayments and capital improvements.
- Other business-type reported a decrease of \$2,191 in net position.





Financial Analysis of the City's Funds

As noted earlier, the City of Johnson City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, it is useful to review the various classifications of fund balance in measuring the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$73,278, a current year decrease of \$33,382. The decrease is the result of (1) the settlement of a lawsuit for \$27,000 and (2) the spend down of previously issued debt, remaining ARPA funds, and fund balance for capital projects. Included in total fund balance was a nonspendable balance of \$456 which consisted of inventory in general fund and general-purpose school fund. Restricted fund balance of \$9,037 consisting primarily of funds restricted for education, food service, and law enforcement. Committed funds of \$46,983, primarily made up of funds capital projects, debt service, and economic development. Funds assigned for a particular purpose total \$22,910 representing compensated absences and educational funds. The remaining unassigned balance of (\$6,108) which will be made up for with future revenues and savings in expenditures.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$31,367, including \$227 of nonspendable assets, \$874 of restricted funds, \$23,798 committed for specific purposes, and \$6,468 assigned for a particular purpose. This combined fund balance represented a decrease of \$23,030 from the prior year due to the legal settlement of \$27,000, which was partially offset by better than expected performance of local taxes and other intergovernmental revenues, as well as savings in expenditures.

The general-purpose school fund has a total fund balance of \$18,577, including \$72 of nonspendable assets, \$1,576 of restricted, \$735 committed for specific purposes and \$16,194 assigned for general education. The current year increase in fund balance was \$449.

At the end of the current fiscal year, the City’s debt service fund had no fund balance; fund balance decreased \$78 for payment of debt service.

The City’s capital project fund has a total fund balance of \$11,855, all of which is restricted for capital projects. The decrease of \$5,469 is due to the continued use of bond proceeds to fund capital projects.

The educational facilities trust fund has a total fund balance of \$3,760, all of which is restricted. The net decrease was \$5,150. This decrease was due to the use of fund balance to support school related capital projects and the payment of debt service costs.

Nonmajor (other) governmental funds have a fund balance of \$7,720, including \$157 of nonspendable assets, \$7,313 of restricted funds and \$249 assigned for specific purposes. The net decrease in fund balance during the current year was \$105.

Proprietary funds. The City of Johnson City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer Fund and City Solid Waste Fund, at the end of the year, amounted to \$8,976 and \$4,556, respectively. Nonmajor (other) proprietary funds reported unrestricted net position of \$12,047. Total unrestricted net position of proprietary funds amounted to \$25,579.

As noted earlier in the discussion of business-type activities, net position for the proprietary funds increased \$4,961 with water and sewer and city solid waste operations contributing growth of \$5,702 and a decrease of (\$515), respectively. Nonmajor (other) proprietary funds reported a decrease of (\$226). Other factors concerning the financial position of these funds have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

Original and Final Budgeted Amounts. Differences between the original budget and the final amended budget for the general fund represent a \$29,638 increase in expenditures and a \$605 increase in other financing uses. This increase consists of the following:

Legal settlement	\$	27,000
Miscellaneous Appropriations		1,849
General Government		389
Fire Department		285
Other		115
	\$	<u>29,638</u>
Transfer to Freedom Hall	\$	<u>605</u>
	\$	<u><u>30,243</u></u>

The majority of the increase in expenditures was due to the legal settlement and was paid from existing fund balance. All other increases were offset by an increase in local tax and intergovernmental revenue.

Final Amended Budget and Actual Amounts. Differences between the final amended budget and actual results for the general fund represent a \$4,127 positive variance in revenues, \$2,879 positive variance in expenditures and a \$4,788 net positive variance in other financing sources and uses, for a actual positive variance from final amended budget in the change in net position of \$11,803.

Capital Asset and Debt Administration

Capital Assets. The City of Johnson City's investment in capital assets for its governmental and business type activities as of June 30, 2025, totaled \$618,191 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, plant in service, equipment and vehicles, infrastructure and construction in progress.

Major capital asset events during the fiscal year included the following:

- West Walnut Street corridor – public works, stormwater management, water/sewer
- Fire Training Center
- Commission Chambers Renovation
- Metro-Kiwanis Park Rebuild

Various water and sewer line replacements and upgrades

The following capital projects are in progress:

- West King Street Bark Park
- Towne Acres Elementary School
- Lower Tannery Knob Improvements
- School Secure Vestibules
- Numerous street and intersection projects
- Keefauver Property Park
- Ongoing infrastructure improvements

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 30,207	\$ 31,717	\$ 11,840	\$ 11,833	\$ 42,047	\$ 43,550
Buildings & Improvements	322,218	306,710	36,882	35,375	359,100	342,085
Right-To-Use Leased Assets	298	267	-	-	298	267
Intangible Right-To-Use Software Agreements	9,563	9,277	-	-	9,563	9,277
Plant and Lines	-	-	346,564	321,483	346,564	321,483
Vehicles & Equipment	65,702	60,011	52,084	50,464	117,786	110,475
Intellectual Property	6	6	-	-	6	6
Artwork	323	323	-	-	323	323
Infrastructure	189,007	189,007	-	-	189,007	189,007
Construction in Progress	67,791	65,309	28,308	38,127	96,099	103,436
Accumulated Depreciation	(357,711)	(341,793)	(184,891)	(175,565)	(542,602)	(517,358)
Total	\$ 327,404	\$ 320,834	\$ 290,787	\$ 281,717	\$ 618,191	\$ 602,551

Additional information on the City's capital assets can be found in Note 3.D. on pages 86 through 88 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$206,387. All of this debt is backed by the full faith and credit of the government.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2023
Notes payable	\$ 1,500	\$ 1,635	\$ 925	\$ 959	\$ 2,425	\$ 2,594
General obligation bonds	111,517	121,994	92,445	97,867	203,962	219,861
Total	\$ 113,017	\$ 123,629	\$ 93,370	\$ 98,826	\$ 206,387	\$ 222,455

The City's total debt decreased \$16,068 (7.2%) during the current fiscal year. The governmental and business-type activities represented \$10,612 and \$5,456 of that decrease, respectively, due to principal repayments. No new debt was issued during the fiscal year, however the City does plan to issue \$54,000 in new debt in the fall of 2025. The City continues to maintain a 'AA' rating from Standard and Poor's, a 'AA' rating from Fitch and a 'Aa2' rating from Moody's Investors Service, for its debt.

The City of Johnson City is subject to debt limitations imposed by its Charter. The total bonded indebtedness (excluding sales tax revenue debt) shall not exceed 10% of the assessed taxable value of property within the City. The current debt limitation for the City is in excess of the outstanding general obligation debt, with the amount of debt applicable to the debt limit at only 25.83%. Additional information on the City's long-term debt can be found in Note 3.K. on pages 128 through 155 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate (not seasonally adjusted) for Johnson City is currently 3.6%, which is a decrease from last year's rate of 3.8%. This is slightly higher than state's unemployment rate (not seasonally adjusted) of 3.5% but considerably lower than the nationwide rate of 4.1%.
- Inflationary trends in the region are comparable to national indices.
- Local and state sales tax collections increased 4.2% and 2.7%, respectively, from fiscal year 2025. While the rate has slowed from earlier fiscal years, it has continued to grow. An increase of approximately 1% was budgeted for both sales taxes in fiscal year 2026.

Short-term interest rates on the City's pooled cash account remained relatively steady. The City's financial institution currently credits interest on the pooled cash at a rate of 20 basis points. The interest rate on longer term investments averaged 1%.

The FY2026 general fund budget was prepared with no appropriation of existing fund balance. Departments have reduced their operating budgets by an average of 5% in order to help facilitate the rebuilding of fund balance after the legal settlement. No reduction in staff or city services was included in the budget.

In July 2025, the water and sewer rates were increased with plans for additional small increases annually for the next 4 years. This was done as part of a rate study conducted by an outside consultant, taking into consideration the need for updated and increased infrastructure to continue servicing the growing population of the City.

All of these factors were considered in preparing the City of Johnson City's budget for fiscal year 2026.

Discretely Presented Component Units

The Johnson City Public Library (the Library) is a non-profit organization under IRC Section 501(c)(3) incorporated in September 1989. The Library's Board of Directors is appointed by the City Commission and an appropriation of at least 85% of its annual support is provided by the City. The City is obligated to finance any deficits and all debt is financed by the City. The Library's property is also owned and titled to the City. Separately issued financial statements may be requested from: Johnson City Public Library, 100 West Millard Street, Johnson City, Tennessee 37604.

The Johnson City Development Authority (JCDA) was established in February 1990, to facilitate business development within the City. To accomplish this function, the JCDA operates a tax increment financing (TIF) program that utilizes tax money provided to the JCDA by the City and Washington County for use in redevelopment projects. The JCDA's Board is approved by the City Commission. Separately issued financial statements may be requested from: Johnson City Development Authority, 601 E. Main Street, Johnson City, Tennessee 36701.

The Industrial Development Board (IDB) was organized to acquire, own, lease and dispose of properties to the end that the corporation may be able to maintain and increase employment opportunities by promoting industry, trade, commerce, tourism and recreation by inducing manufacturing, industrial, governmental, education, research and development, financial, service, commercial, medical-related, and recreational enterprises, to locate or remain in the City, and to have all powers that may be necessary to enable the corporation to accomplish these purposes.

To further such ends the aforementioned corporation shall be empowered to finance, acquire, own, lease and/or dispose of such properties within the City or within three (3) miles of its corporate limits or to accumulate and lend money for said purposes as may be necessary to achieve said goals. The IDB's Board of Directors is appointed by the City Commission and the IDB does not issue separate financial statements.

Johnson City Energy Authority (JCEA) (dba BrightRidge) was formed April 1, 2017 as a political subdivision of the State of Tennessee and is the legal entity which replaced the former Johnson City Power Board. The JCEA did file with the State of Tennessee to continue "doing business as" (dba) the Johnson City Power Board (JCPB) through October 3, 2017, at which time the JCEA filed a new dba name of BrightRidge. BrightRidge is a local power company of the Tennessee Valley Authority (TVA), furnishing electrical power to Washington County and portions of other Upper East Tennessee counties, as purchased from TVA and providing broadband and related services to service area customers. The Board of Directors of BrightRidge consists of members appointed by the elected boards and commissions within the service territory. Currently, the City of Johnson City has six board members, Washington County has 2 board members and Town of Jonesborough has one board member. Separately issued financial statements may be requested from: BrightRidge; 2600 Boones Creek Road; Johnson City, Tennessee 37615.

Connect Downtown Johnson City, Inc. (CDJC) is a registered 501(c)(3) non-profit organization created to serve as the advisory board for the Main Street program of Johnson City. Board members are independently selected. The City has no financial obligations related to CDJC, however it is directly related to the Main Street Program, a department of the City. The CDJC does not issue separate financial statements.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Johnson City, Director of Finance, 601 East Main Street, Johnson City, Tennessee 37601.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 38,042,796	23,356,765	61,399,561	26,805,764
Investments	29,112,195	148,260	29,260,455	-
Accounts Receivable (Net)	2,853,295	3,497,402	6,350,697	27,138,888
Internal Balances (Net)	1,578	-	1,578	-
Taxes Receivable	46,776,726	-	46,776,726	-
Less: Estimated Uncollectible	(819,192)	-	(819,192)	-
Intergovernmental Receivables	38,870,116	1,930,073	40,800,189	475,979
Deposits	5,050	-	5,050	600
Inventories	1,090,336	6,709,826	7,800,162	16,271,301
Prepaid Expenses	481,148	-	481,148	1,490,482
Restricted Assets:				
Cash and Cash Equivalents	70,861	-	70,861	16,788,542
Investments - Unspent Bond Proceeds	9,617,166	14,074,260	23,691,426	-
Investments - Other	7,879,102	-	7,879,102	11,352,662
Other Assets:				
Notes Receivable	3,260	-	3,260	1,516,518
Lease Receivable	660,725	704,855	1,365,580	1,486,986
Other Current Assets	5,727	-	5,727	5,231
Net Pension Asset	18,860,779	-	18,860,779	-
Capital Assets:				
Land	30,206,581	11,840,238	42,046,819	6,534,534
Book Collection	-	-	-	1,138,049
Buildings and Improvements	322,218,588	36,881,616	359,100,204	7,975,804
Right-to-Use Leased Assets	297,872	-	297,872	-
Intangible Right-to-Use Software Arrangements	9,563,040	-	9,563,040	498,753
Plant in Service	-	346,564,666	346,564,666	417,339,122
Equipment and Vehicles	65,702,393	52,083,685	117,786,078	995,394
Intellectual Property	5,500	-	5,500	-
Artwork	323,150	-	323,150	-
Infrastructure	189,006,973	-	189,006,973	-
Less: Accumulated Depreciation	(357,711,236)	(184,890,705)	(542,601,941)	(140,305,234)
Construction in Progress	67,791,186	28,307,830	96,099,016	14,010,517
Total Assets	520,915,715	341,208,771	862,124,486	411,519,892
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow of TIF Funds	-	-	-	848,886
OPEB Related	7,135,325	-	7,135,325	2,235,936
Pension Related	20,630,434	2,086,801	22,717,235	9,346,968
Lease Related	-	-	-	185,489
Deferred Bond Refunding Costs	648,972	543,037	1,192,009	511,174
Total Deferred Outflows of Resources	28,414,731	2,629,838	31,044,569	13,128,453

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts Payable	12,805,823	4,180,468	16,986,291	32,293,274
Accrued Payroll Expenses	7,796,214	780,811	8,577,025	990,175
Accrued Expenses	5,368,109	158,244	5,526,353	375,347
Accrued Interest Payable	1,009,298	604,171	1,613,469	272,813
Due to Other Governments	-	1,578	1,578	-
Matured Bonds and Interest Payable	-	33,253	33,253	-
Retainages Payable	1,766,726	819,987	2,586,713	-
Unearned Revenue	295,606	36,995	332,601	14,022
Contractor Deposits	286,200	1,058,704	1,344,904	-
Customer Deposits	-	490,042	490,042	5,481,345
Noncurrent Liabilities:				
Net Pension Liability	1,854,766	1,818,114	3,672,880	1,871,632
OPEB Liability	35,368,836	-	35,368,836	9,899,306
Termination Benefits	216,327	-	216,327	-
Compensated Absences - Due within one year	973,458	480,340	1,453,798	-
Compensated Absences - Due in more than one year	9,640,677	1,405,835	11,046,512	-
Debt - Due within one year	10,267,596	5,827,878	16,095,474	4,450,688
Debt - Due in more than one year	118,028,800	94,412,123	212,440,923	51,326,161
Total Liabilities	205,678,436	112,108,543	317,786,979	106,974,763
DEFERRED INFLOWS OF RESOURCES				
Lease Related	618,464	526,821	1,145,285	1,372,962
Deferred - Current Property Taxes	64,956,531	-	64,956,531	-
Deferred - American Rescue Plan	2,806,080	-	2,806,080	-
Deferred - Other	40,614	404,735	445,349	-
OPEB Related	9,061,453	-	9,061,453	1,611,275
Pension Related	6,906,489	1,279,924	8,186,413	3,010,218
Total Deferred Inflows of Resources	84,389,631	2,211,480	86,601,111	5,994,455
NET POSITION				
Net Investment in Capital Assets	207,607,063	203,939,904	411,546,967	260,558,993
Restricted for/by:				
Stabilization Funds	2,471,400	-	2,471,400	-
Opioid Funds	639,310	-	639,310	-
Education	5,718,872	-	5,718,872	-
Law Enforcement	1,414,176	-	1,414,176	-
Special Purposes	415,057	-	415,057	-
Net Pension Asset	18,860,779	-	18,860,779	-
Imagination Library	-	-	-	50,137
Enabling Legislation	-	-	-	2,145,359
Unrestricted	22,135,722	25,578,682	47,714,404	48,924,638
Total Net Position	\$ 259,262,379	229,518,586	488,780,965	311,679,127

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General Government	\$ 31,379,868	4,240,834	3,119,745	-	(24,019,289)	-	(24,019,289)	-
Public Safety	39,413,096	818,947	1,048,448	-	(37,545,701)	-	(37,545,701)	-
Public Works	25,256,949	30,838	348,552	4,229,195	(20,648,364)	-	(20,648,364)	-
Parks, Recreation, Culture and Leisure	14,486,352	226,476	905,750	-	(13,354,126)	-	(13,354,126)	-
City Services	1,456,377	5,914,011	3,026,381	-	7,484,015	-	7,484,015	-
Education	109,882,822	5,924,356	58,902,228	-	(45,056,238)	-	(45,056,238)	-
Interest on Long-Term Debt	4,768,988	-	-	-	(4,768,988)	-	(4,768,988)	-
Total Governmental Activities	226,644,452	17,155,462	67,351,104	4,229,195	(137,908,691)	-	(137,908,691)	-
Business-Type Activities								
Water and Sewer	39,939,732	44,144,661	-	2,422,637	-	6,627,566	6,627,566	-
City Solid Waste	15,048,094	14,532,924	-	-	-	(515,170)	(515,170)	-
Regional Solid Waste	4,285,239	4,476,734	-	-	-	191,495	191,495	-
Mass Transit	5,343,069	420,827	3,585,011	384,533	-	(952,698)	(952,698)	-
Stormwater Management	2,160,127	3,418,838	-	-	-	1,258,711	1,258,711	-
Total Business-Type Activities	66,776,261	66,993,984	3,585,011	2,807,170	-	6,609,904	6,609,904	-
Total Primary Government	\$ 293,420,713	84,149,446	70,936,115	7,036,365	(137,908,691)	6,609,904	(131,298,787)	-
Component Units								
Johnson City Public Library	\$ 2,550,022	56,020	2,520,801	22,533	-	-	-	49,332
Johnson City Development Authority	2,551,409	2,288,010	1,510,919	-	-	-	-	1,247,520
Industrial Development Board	3,045,235	-	3,045,214	-	-	-	-	(21)
Johnson City Energy Authority	244,623,010	254,936,588	-	263,585	-	-	-	10,577,163
Connect Downtown Johnson City	76,130	-	153,664	-	-	-	-	77,534
Total Component Units	\$ 252,845,806	257,280,618	7,230,598	286,118	-	-	-	11,951,528

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
General Revenues				
Property Taxes	\$ 63,276,599	-	63,276,599	-
Sales Taxes	67,313,381	-	67,313,381	-
Beer and Liquor Taxes	2,977,116	-	2,977,116	-
Business Taxes	4,010,960	-	4,010,960	-
Room Occupancy Taxes	3,936,688	-	3,936,688	-
Telephone and Cable Taxes	489,598	-	489,598	-
State of Tennessee Mixed Drink Taxes	1,303,783	-	1,303,783	-
Franchise Taxes	802,976	-	802,976	-
Unrestricted State Income Taxes	-	-	-	-
Unrestricted State of Tennessee Excise Taxes	484,114	-	484,114	-
Unrestricted Investment Earnings	2,539,727	63,517	2,603,244	1,799,420
Gain on Disposal of Capital Assets	298,533	-	298,533	-
Other General Revenue	5,739	-	5,739	6,333,401
E-Rate Reimbursement	-	-	-	8,499
Miscellaneous Revenue	-	-	-	1,008,776
Transfers	1,713,326	(1,713,326)	-	-
Extraordinary Item - Legal Settlement	(27,000,000)	-	(27,000,000)	-
Total General Revenues and Transfers	<u>122,152,540</u>	<u>(1,649,809)</u>	<u>147,502,731</u>	<u>9,150,096</u>
Change in Net Position	(15,756,151)	4,960,095	(10,796,056)	21,101,624
Net Position, July 1, 2024	275,533,434	224,931,076	500,464,510	290,551,018
Prior Period Restatements	(514,904)	(372,585)	(887,489)	26,485
Net Position, July 1, 2024 (Restated)	<u>275,018,530</u>	<u>224,558,491</u>	<u>499,577,021</u>	<u>290,577,503</u>
Net Position, June 30, 2025	<u>\$ 259,262,379</u>	<u>229,518,586</u>	<u>488,780,965</u>	<u>311,679,127</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 70,157	16,530,803	-	8,946,123	(656,592)	6,555,060	31,445,551
Investments	29,112,195	-	-	-	-	-	29,112,195
Accounts Receivable	2,261,519	49,337	-	-	209	47,375	2,358,440
Lease Receivable	660,725	-	-	-	-	-	660,725
Notes Receivable	-	-	-	-	-	3,260	3,260
Due from Other Funds	76,107	40,870	959	527,033	6,350,000	50	6,995,019
Taxes Receivable	46,776,726	-	-	-	-	-	46,776,726
Less: Estimated Uncollectible	(819,192)	-	-	-	-	-	(819,192)
Due from Federal Government	-	-	-	-	-	530,690	530,690
Due from State of Tennessee	2,483,023	7,244,458	-	-	458,085	2,103,373	12,288,939
Due from Washington County	5,382,857	20,072,876	-	589,598	-	-	26,045,331
Due from Local Governments	-	-	-	-	-	5,156	5,156
Deposits	5,050	-	-	-	-	-	5,050
Inventories	226,965	72,122	-	-	-	157,243	456,330
Other Assets	-	-	-	-	-	5,727	5,727
Restricted Cash and Cash Equivalents	-	-	-	70,861	-	-	70,861
Restricted Investments	5,407,702	1,575,988	-	-	9,617,166	26,598	16,627,454
Total Assets	\$ 91,643,834	45,586,454	959	10,133,615	15,768,868	9,434,532	172,568,262

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES							
Accounts Payable	\$ 8,401,124	990,819	-	-	2,147,470	577,449	12,116,862
Accrued Payroll Expenditures	1,529,008	5,334,972	-	-	-	821,252	7,685,232
Compensated Absences Payable	795,457	-	-	-	-	6,555	802,012
Accrued Expenditures	5,495	-	-	-	-	-	5,495
Due to Other Funds	1,344	608,868	959	6,374,016	-	13,932	6,999,119
Retainages Payable	-	-	-	-	1,766,726	-	1,766,726
Unearned Revenue	-	-	-	-	-	295,606	295,606
Contractor Deposits	286,200	-	-	-	-	-	286,200
Total Liabilities	11,018,628	6,934,659	959	6,374,016	3,914,196	1,714,794	29,957,252
DEFERRED INFLOWS OF RESOURCES							
Deferred - Current Property Taxes	44,882,152	20,074,379	-	-	-	-	64,956,531
Deferred - American Rescue Plan	2,806,080	-	-	-	-	-	2,806,080
Deferred Revenue - Other	40,614	-	-	-	-	-	40,614
Lease Related	618,464	-	-	-	-	-	618,464
Unavailable Revenue - Property Taxes	911,215	-	-	-	-	-	911,215
Total Deferred Inflows of Resources	49,258,525	20,074,379	-	-	-	-	69,332,904
FUND BALANCES							
Nonspendable	226,965	72,122	-	-	-	157,243	456,330
Restricted	874,056	1,575,988	-	-	-	7,313,361	9,763,405
Committed	23,797,747	735,195	-	3,759,599	11,854,672	-	40,147,213
Assigned	6,467,913	16,194,111	-	-	-	249,134	22,911,158
Total Fund Balances	31,366,681	18,577,416	-	3,759,599	11,854,672	7,719,738	73,278,106
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 91,643,834	45,586,454	959	10,133,615	15,768,868	9,434,532	172,568,262

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2025

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balances of Governmental Funds	\$ 73,278,106
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	324,893,461
Prepays are expensed when disbursed and are not recognized based upon economic benefit or recorded as assets in the governmental funds.	481,148
Property tax assessments are reported as revenue in the government-wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as unavailable revenue at the fund level.	911,215
Other post-employment benefits represent liabilities of the City that are not recorded at the fund level. This amount is the OPEB liability, net of deferred outflows and deferred inflows related to OPEB.	(37,294,964)
Long-term compensated absences and termination benefits are not considered due and payable in governmental funds. Therefore, these amounts, excluding the portion related to the internal service funds, are presented as assigned fund balance in the governmental funds.	(9,704,376)
Accrued interest on the notes and bonds payable represents a liability of the City that is generally not recorded at the fund level.	(990,234)
Long-term liabilities, including bonds and leases payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(126,481,797)
Long-term pension plan retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. This amount is the net pension liability (asset), net of deferred outflows and deferred inflows related to pensions.	31,617,697
Internal service funds are used by management to charge the costs of fleet maintenance and employee insurance to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.	2,552,123
Net Position of Governmental Activities	\$ 259,262,379

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 94,429,675	35,656,177	-	3,516,598	-	-	133,602,450
Licenses and Permits	1,594,718	1,474	-	-	-	-	1,596,192
Intergovernmental Revenues	15,614,547	47,888,305	133,922	500,000	4,229,195	12,824,725	81,190,694
Charges for Services	2,407,113	2,052,615	-	-	-	462,475	4,922,203
Fines and Forfeitures	484,357	-	-	-	-	205,189	689,546
Revenue from Use of Property	2,922,007	2,533	-	-	-	1,231,430	4,155,970
Investment Earnings	548,096	132,560	65,311	51,806	1,703,656	4,001	2,505,430
Miscellaneous	2,207,657	734,697	-	-	1,027,070	3,031,359	7,000,783
Total Revenues	120,208,170	86,468,361	199,233	4,068,404	6,959,921	17,759,179	235,663,268
Expenditures							
Current							
General Government	25,570,317	-	-	-	-	-	25,570,317
Public Safety	37,072,831	-	-	-	-	925,925	37,998,756
Public Works	19,081,929	-	-	-	-	-	19,081,929
Parks, Recreation, Culture and Leisure	10,019,907	-	-	-	-	2,168,114	12,188,021
City Services	-	-	-	-	-	1,206,568	1,206,568
Education	-	91,551,952	-	-	-	13,219,870	104,771,822
Capital Outlay	-	3,630,297	-	-	23,858,765	848,408	28,337,470
Debt Service							
Principal Retirement	377,162	535,835	6,724,997	3,535,000	331,889	346,664	11,851,547
Interest and Fiscal Charges	90,802	10,664	3,929,501	1,329,132	67,419	4,083	5,431,601
Other Fees	-	-	35,604	54,452	-	-	90,056
Total Expenditures	92,212,948	95,728,748	10,690,102	4,918,584	24,258,073	18,719,632	246,528,087

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,995,222	(9,260,387)	(10,490,869)	(850,180)	(17,298,152)	(960,453)	(10,864,819)
Other Financing Sources (Uses)							
Transfers from Other Funds	3,003,768	11,650,543	10,414,323	2,074,015	11,829,466	940,836	39,912,951
Transfers to Other Funds	(28,846,049)	(2,894,020)	-	(6,374,016)	-	(85,540)	(38,199,625)
Proceeds from Sale of Real Estate and Equipment	1,816,621	20	-	-	-	-	1,816,641
Subscription Issuance	-	952,421	-	-	-	-	952,421
Total Other Financing Sources (Uses)	(24,025,660)	9,708,964	10,414,323	(4,300,001)	11,829,466	855,296	4,482,388
Extraordinary Item - Legal Settlement	(27,000,000)	-	-	-	-	-	(27,000,000)
Net Change in Fund Balances	(23,030,438)	448,577	(76,546)	(5,150,181)	(5,468,686)	(105,157)	(33,382,431)
Fund Balances, July 1, 2024	54,862,838	18,128,839	76,546	8,909,780	17,323,358	7,874,080	107,175,441
Prior Period Restatements	(465,719)	-	-	-	-	(49,185)	(514,904)
Fund Balances, July 1, 2024 Restated	54,397,119	18,128,839	76,546	8,909,780	17,323,358	7,824,895	106,660,537
Fund Balances, June 30, 2025	\$ 31,366,681	18,577,416	-	3,759,599	11,854,672	7,719,738	73,278,106

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances of Governmental Funds	\$ (33,382,431)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. This is the amount by which capital outlay exceeds depreciation of general capital assets and other capital related expenses in the current period.	6,922,200
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	11,687,046
Inventories for certain nonmajor funds are accounted for using the purchase method. Inventories are reported using the consumption method in the government-wide financial statements. This is the amount by which expenses were adjusted to convert from purchase method to consumption method.	(49,185)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	209,813
Other post-employment benefits expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	780,637
Premiums paid for insurance from the governmental funds are expensed as paid. A portion of the payments are prepaid insurance.	74,569
Expenses for accrued interest payable on long-term debt does not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	(27,601)
Expenses for compensated absences and termination benefits do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	(4,507,728)
Some pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	2,516,531
Internal service funds are used by management to charge the costs of fleet maintenance and employee insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>19,998</u>
Change in Net Position of Governmental Activities	<u>\$ (15,756,151)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property Tax, Net	\$ 43,405,000	43,405,000	42,563,879	(841,121)
Property Tax - Penalty and Interest	250,000	250,000	270,471	20,471
Received in Lieu of Taxes	5,620,000	5,620,000	6,509,125	889,125
Local Sales Tax	33,300,000	33,300,000	33,385,974	85,974
Business Tax	2,255,000	2,255,000	3,527,737	1,272,737
Local Beer Tax	2,050,000	2,050,000	1,929,496	(120,504)
Local Liquor Tax	1,100,000	1,100,000	1,013,731	(86,269)
Hotel/Motel Tax	3,400,000	3,400,000	3,936,688	536,688
Franchise Tax	800,000	800,000	802,976	2,976
Telephone Commissions/Cable	725,000	725,000	489,598	(235,402)
Total Taxes	92,905,000	92,905,000	94,429,675	1,524,675
Licenses and Permits				
Building Permits	875,000	875,000	1,081,636	206,636
Electrical Permits and Electrician Certificates	100,000	100,000	125,450	25,450
Plumbing Permits and Plumbers Certificates	40,000	40,000	59,783	19,783
Natural Gas Permits	15,000	15,000	17,940	2,940
Zoning Permits and Fees	25,000	25,000	13,574	(11,426)
Mechanical Permits	70,000	70,000	96,750	26,750
Sign Permits	14,000	14,000	17,680	3,680
Plan Review Permits	70,000	70,000	88,747	18,747
Beverage and Private Club Permits	100,000	100,000	81,693	(18,307)
Other Fees and Licenses	3,000	3,000	11,465	8,465
Total Licenses and Permits	1,312,000	1,312,000	1,594,718	282,718
Intergovernmental Revenues				
State of Tennessee				
Sales Tax	8,750,000	8,750,000	8,965,155	215,155
Beer Tax	35,000	35,000	29,900	(5,100)
Mixed Drink Tax	1,050,000	1,050,000	1,303,783	253,783
State Street Aid	2,530,000	2,530,000	2,485,459	(44,541)
Highway Maintenance	309,580	309,580	378,389	68,809
Street and Transit	125,000	125,000	162,533	37,533
Excise Taxes	200,000	200,000	416,847	216,847
Fire Supplement	102,000	102,000	105,600	3,600
Police Supplement	106,000	106,000	210,700	104,700
First TN Development				
District Senior Citizens Grant	83,600	83,600	109,001	25,401
Telecommunications	155,000	155,000	139,242	(15,758)
Other State Funding	140,000	140,000	239,268	99,268
Total State of Tennessee	13,586,180	13,586,180	14,545,877	959,697

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues (Continued)				
Intergovernmental Revenues (Continued)				
Washington County				
School Funding	-	-	76,914	76,914
Senior Citizens	38,000	38,000	57,000	19,000
Juvenile Court	54,500	54,500	104,500	50,000
Total Washington County	<u>92,500</u>	<u>92,500</u>	<u>238,414</u>	<u>145,914</u>
Federal Revenue	1,060,000	1,060,000	830,256	(229,744)
Total Intergovernmental Revenues	<u>14,738,680</u>	<u>14,738,680</u>	<u>15,614,547</u>	<u>875,867</u>
Charges for Services				
School Bus Charters	120,000	120,000	123,487	3,487
Accident Reports	1,500	1,500	43	(1,457)
Special Work Charges	40,000	40,000	27,268	(12,732)
Administrative Fees from Other Funds	2,180,537	2,180,537	2,180,537	-
Miscellaneous Services	99,250	99,250	75,778	(23,472)
Total Charges for Services	<u>2,441,287</u>	<u>2,441,287</u>	<u>2,407,113</u>	<u>(34,174)</u>
Fines and Forfeitures				
Municipal Courts - Fines and Court Costs	595,000	595,000	484,357	(110,643)
Revenue From Use of Property				
Rents from Buildings and Equipment	335,000	335,000	406,357	71,357
Parks and Recreation	1,494,400	1,494,400	1,865,009	370,609
Computer Services (MIS)	647,714	647,714	650,641	2,927
Total Revenue From Use of Property	<u>2,477,114</u>	<u>2,477,114</u>	<u>2,922,007</u>	<u>444,893</u>
Investment Earnings				
Investment Income	550,000	550,000	548,096	(1,904)
Miscellaneous				
Refunds and Reimbursements	258,000	258,000	1,124,147	866,147
Senior Citizens	159,550	159,550	195,389	35,839
Donations	53,000	53,000	149,057	96,057
Damages	30,000	30,000	224,699	194,699
Sale of Methane Gas	32,000	32,000	14,380	(17,620)
Miscellaneous	520,000	520,000	499,985	(20,015)
Total Miscellaneous	<u>1,052,550</u>	<u>1,052,550</u>	<u>2,207,657</u>	<u>1,155,107</u>
Total Revenues	<u>116,071,631</u>	<u>116,071,631</u>	<u>120,208,170</u>	<u>4,136,539</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
General Government				
City Commission				
Other	-	-	320	(320)
Personnel Services	65,309	65,309	65,147	162
Purchased Services	47,100	64,480	63,754	726
Supplies	2,900	2,900	7,780	(4,880)
Total City Commission	115,309	132,689	137,001	(4,312)
City Court				
Personnel Services	166,528	166,528	152,056	14,472
Purchased Services	2,600	5,800	22,783	(16,983)
Supplies	17,975	17,975	12,711	5,264
Total City Court	187,103	190,303	187,550	2,753
Staff Attorney				
Fixed Charges	2,006	2,006	2,454	(448)
Personnel Services	629,814	629,814	565,094	64,720
Purchased Services	149,370	324,370	406,114	(81,744)
Supplies	1,500	1,500	5,152	(3,652)
Total Staff Attorney	782,690	957,690	978,814	(21,124)
Juvenile Court				
Building Materials	100	100	1,017	(917)
Other	-	-	19,932	(19,932)
Fixed Charges	9,484	9,484	11,523	(2,039)
Personnel Services	1,097,950	1,097,950	1,051,896	46,054
Purchased Services	55,212	55,212	42,654	12,558
Supplies	20,125	20,125	29,458	(9,333)
Total Juvenile Court	1,182,871	1,182,871	1,156,480	26,391
City Manager				
Fixed Charges	43,412	43,412	37,389	6,023
Other	1,750	1,750	541	1,209
Personnel Services	752,868	752,868	664,775	88,093
Purchased Services	587,400	587,400	412,467	174,933
Supplies	36,253	36,253	19,416	16,837
Total City Manager	1,421,683	1,421,683	1,134,588	287,095
Management Services				
Personnel Services	875,742	875,742	831,363	44,379
Purchased Services	26,300	26,300	19,794	6,506
Supplies	6,700	6,700	3,177	3,523
Total Management Services	908,742	908,742	854,334	54,408

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
General Government (Continued)				
Community Relations Office				
Fixed Charges	12,896	50,771	51,828	(1,057)
Other	40,000	40,000	8,660	31,340
Personnel Services	797,754	827,754	813,796	13,958
Purchased Services	83,779	145,779	116,995	28,784
Supplies	121,060	188,060	128,529	59,531
Total Community Relations Office	1,055,489	1,252,364	1,119,808	132,556
Purchasing				
Building Materials	-	-	195	(195)
Fixed Charges	2,537	2,537	2,254	283
Personnel Services	416,028	416,028	397,874	18,154
Purchased Services	16,425	16,425	12,518	3,907
Supplies	1,400	1,400	1,944	(544)
Total Purchasing	436,390	436,390	414,785	21,605
Human Resources				
Fixed Charges	4,339	4,339	5,617	(1,278)
Other	-	-	2,000	(2,000)
Personnel Services	1,036,497	1,036,497	1,036,107	390
Purchased Services	32,860	32,860	45,050	(12,190)
Supplies	16,600	16,600	34,706	(18,106)
Total Human Resources	1,090,296	1,090,296	1,123,480	(33,184)
Development Services				
Fixed Charges	13,157	13,157	8,692	4,465
Other	-	-	97	(97)
Personnel Services	1,738,914	1,738,914	1,611,928	126,986
Purchased Services	231,800	231,800	171,113	60,687
Supplies	41,000	41,000	23,550	17,450
Total Development Services	2,024,871	2,024,871	1,815,380	209,491
Miscellaneous Appropriations				
Fixed Charges	701,000	701,000	701,886	(886)
Other	-	1,498,455	1,647,242	(148,787)
Purchased Services	508,000	858,325	832,011	26,314
Supplies	-	-	39,763	(39,763)
Total Miscellaneous Appropriations	1,209,000	3,057,780	3,220,902	(163,122)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
General Government (Continued)				
Risk Management				
Fixed Charges	413,469	413,469	387,142	26,327
Other	500	500	-	500
Personnel Services	78,381	78,381	71,616	6,765
Purchased Services	189,172	189,172	153,349	35,823
Supplies	24,000	24,000	17,403	6,597
Total Risk Management	705,522	705,522	629,510	76,012
Information Technology				
Building Materials	50	50	25	25
Fixed Charges	1,598,403	1,598,403	1,386,751	211,652
Other	-	-	975	(975)
Personnel Services	1,513,973	1,513,973	1,449,691	64,282
Purchased Services	341,900	341,900	263,430	78,470
Supplies	324,350	324,350	158,339	166,011
Total Information Technology	3,778,676	3,778,676	3,259,211	519,465
Special Appropriations	7,468,640	7,468,640	7,470,071	(1,431)
Finance Administration				
Fixed Charges	7,415	7,415	1,950	5,465
Other	250	250	86	164
Personnel Services	229,174	229,174	229,081	93
Purchased Services	5,410	5,410	4,661	749
Supplies	2,050	2,050	2,053	(3)
Total Finance Administration	244,299	244,299	237,831	6,468
Accounting				
Fixed Charges	-	-	199	(199)
Other	150	150	79	71
Personnel Services	893,460	893,460	861,084	32,376
Purchased Services	232,850	240,450	248,801	(8,351)
Supplies	9,400	9,400	8,381	1,019
Total Accounting	1,135,860	1,143,460	1,118,544	24,916

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
General Government (Continued)				
Collections				
Fixed Charges	950	950	591	359
Other	-	-	18,253	(18,253)
Personnel Services	387,509	399,509	375,931	23,578
Purchased Services	226,707	226,707	222,882	3,825
Supplies	6,400	6,400	8,791	(2,391)
Total Collections	621,566	633,566	626,448	7,118
Records Management				
Other	-	-	456	(456)
Personnel Services	82,969	82,969	84,494	(1,525)
Purchased Services	370	370	48	322
Supplies	1,100	1,100	582	518
Total Records Management	84,439	84,439	85,580	(1,141)
Total General Government	24,453,446	26,714,281	25,570,317	1,143,964
Public Safety				
Student Transportation				
Fixed Charges	7,051	7,051	6,001	1,050
Personnel Services	2,325,790	2,325,790	2,326,600	(810)
Purchased Services	692,959	692,959	595,001	97,958
Supplies	10,750	10,750	6,884	3,866
Total Student Transportation	3,036,550	3,036,550	2,934,486	102,064
Police Department				
Building Materials	-	-	1,480	(1,480)
Fixed Charges	274,524	274,524	226,273	48,251
Other	7,000	7,000	55,440	(48,440)
Personnel Services	16,585,052	16,585,052	16,251,740	333,312
Purchased Services	1,625,802	1,625,802	1,444,390	181,412
Supplies	878,550	878,550	838,665	39,885
Total Police Department	19,370,928	19,370,928	18,817,988	552,940

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Public Safety (Continued)				
Fire Department				
Building Materials	5,000	5,000	1,824	3,176
Fixed Charges	36,717	36,717	48,324	(11,607)
Other	2,000	2,000	11,134	(9,134)
Personnel Services	13,390,231	13,675,231	13,573,518	101,713
Purchased Services	1,061,522	1,061,522	1,177,050	(115,528)
Supplies	557,300	557,300	508,507	48,793
Total Fire Department	<u>15,052,770</u>	<u>15,337,770</u>	<u>15,320,357</u>	<u>17,413</u>
Total Public Safety	<u>37,460,248</u>	<u>37,745,248</u>	<u>37,072,831</u>	<u>672,417</u>
Public Works				
Administration				
Building Materials	-	-	5,306	(5,306)
Fixed Charges	131,864	131,864	113,750	18,114
Personnel Services	207,986	207,986	208,752	(766)
Purchased Services	34,200	34,200	43,859	(9,659)
Supplies	10,297	10,297	6,145	4,152
Total Administration	<u>384,347</u>	<u>384,347</u>	<u>377,812</u>	<u>6,535</u>
Streets (Includes State Street Aid)				
Building Materials	718,995	718,995	601,304	117,691
Fixed Charges	6,200	6,200	27,442	(21,242)
Other	1,050	1,050	444	606
Personnel Services	4,531,162	4,531,162	4,280,694	250,468
Purchased Services	6,029,763	6,029,763	6,111,725	(81,962)
Supplies	332,350	332,350	321,315	11,035
Total Streets (Includes State Street Aid)	<u>11,619,520</u>	<u>11,619,520</u>	<u>11,342,924</u>	<u>276,596</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Public Works (Continued)				
Engineering				
Building Materials	-	-	15,924	(15,924)
Fixed Charges	-	-	7,655	(7,655)
Personnel Services	1,174,649	1,174,649	1,046,337	128,312
Purchased Services	42,300	42,300	33,955	8,345
Supplies	28,500	28,500	15,488	13,012
Total Engineering	1,245,449	1,245,449	1,119,359	126,090
Traffic Control				
Building Materials	36,100	36,100	4,143	31,957
Fixed Charges	3,300	3,300	17,762	(14,462)
Personnel Services	1,391,601	1,391,601	1,294,682	96,919
Purchased Services	1,945,750	1,945,750	2,115,785	(170,035)
Supplies	336,350	365,420	358,971	6,449
Total Traffic Control	3,713,101	3,742,171	3,791,343	(49,172)
Sidewalks				
Building Materials	197,900	197,900	134,898	63,002
Fixed Charges	-	-	1,012	(1,012)
Purchased Services	12,500	12,500	12,825	(325)
Supplies	9,200	9,200	8,182	1,018
Total Sidewalks	219,600	219,600	156,917	62,683
Mowing				
Building Materials	-	-	9,674	(9,674)
Purchased Services	538,000	538,000	405,735	132,265
Supplies	3,500	3,500	12,849	(9,349)
Total Mowing	541,500	541,500	428,258	113,242
General Facilities				
Building Materials	7,450	7,450	8,435	(985)
Fixed Charges	21,910	21,910	9,565	12,345
Personnel Services	1,226,992	1,226,992	1,072,781	154,211
Purchased Services	292,522	292,522	151,048	141,474
Supplies	33,340	33,340	49,878	(16,538)
Total General Facilities	1,582,214	1,582,214	1,291,707	290,507

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Public Works (Continued)				
Municipal Building				
Building Materials	1,800	1,800	22,125	(20,325)
Fixed Charges	14,477	14,477	14,505	(28)
Purchased Services	288,450	288,450	218,770	69,680
Supplies	44,650	44,650	47,839	(3,189)
Total Municipal Building	349,377	349,377	303,239	46,138
Keystone				
Building Materials	400	400	10,822	(10,422)
Fixed Charges	9,644	9,644	9,382	262
Personnel Services	56,455	56,455	55,543	912
Purchased Services	78,020	78,020	136,593	(58,573)
Supplies	9,850	9,850	27,227	(17,377)
Total Keystone	154,369	154,369	239,567	(85,198)
Facilities Center				
Fixed Charges	12,561	12,561	12,392	169
Purchased Services	37,130	37,130	18,077	19,053
Supplies	6,400	6,400	-	6,400
Total Facilities Center	56,091	56,091	30,469	25,622
Grounds Maintenance				
Purchased Services	-	-	334	(334)
Total Grounds Maintenance	-	-	334	(334)
Total Public Works	19,865,568	19,894,638	19,081,929	812,709
Parks, Recreation, Culture and Leisure				
Parks and Recreation				
Building Materials	223,450	223,450	185,912	37,538
Fixed Charges	177,481	177,481	241,316	(63,835)
Other	12,850	12,850	10,985	1,865
Personnel Services	6,118,971	6,157,071	5,688,966	468,105
Purchased Services	1,845,700	1,845,700	1,948,479	(102,779)
Supplies	1,088,625	1,088,625	890,140	198,485
Total Parks and Recreation	9,467,077	9,505,177	8,965,798	539,379

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Parks, Recreation, Culture and Leisure (Continued)				
Senior Citizens				
Building Materials	-	-	632	(632)
Fixed Charges	737	737	700	37
Other	7,250	7,250	9,011	(1,761)
Personnel Services	923,060	923,060	833,053	90,007
Purchased Services	103,902	103,902	123,249	(19,347)
Supplies	59,693	59,693	87,464	(27,771)
Total Senior Citizens	<u>1,094,642</u>	<u>1,094,642</u>	<u>1,054,109</u>	<u>40,533</u>
Total Parks, Recreation, Culture and Leisure	<u>10,561,719</u>	<u>10,599,819</u>	<u>10,019,907</u>	<u>579,912</u>
Debt Service				
Principal Retirement	75,000	75,000	377,162	(302,162)
Interest and Fiscal Charges	62,750	62,750	90,802	(28,052)
Total Debt Service	<u>137,750</u>	<u>137,750</u>	<u>467,964</u>	<u>(330,214)</u>
Total Expenditures	<u>92,478,731</u>	<u>95,091,736</u>	<u>92,212,948</u>	<u>2,878,788</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>23,592,900</u>	<u>20,979,895</u>	<u>27,995,222</u>	<u>7,015,327</u>
Other Financing Sources (Uses)				
Transfer to General Purpose School Fund	(11,626,736)	(11,626,736)	(11,650,543)	(23,807)
Transfer to Mass Transit	(1,170,355)	(1,194,855)	(1,170,355)	24,500
Transfer to Freedom Hall	(186,000)	(791,300)	(609,000)	182,300
Transfer to Transportation Planning	(77,125)	(77,125)	(73,973)	3,152
Transfer to Capital Project Fund	(5,401,455)	(5,401,455)	(5,479,257)	(77,802)
Transfer to Debt Service	(10,885,968)	(10,885,968)	(9,862,921)	1,023,047
Transfer from Community Development	-	-	85,540	85,540
Transfer from General Purpose School Fund	-	-	10,740	10,740
Transfer from Education Facilities Debt Service Fund	-	-	23,807	23,807
Transfer from Mass Transit	-	-	1,893,681	1,893,681
Transfer from Water and Sewer Fund	990,000	990,000	990,000	-
Proceeds from Sale of Real Estate and Equipment	175,000	175,000	1,816,621	1,641,621
Total Other Financing Sources (Uses)	<u>(28,182,639)</u>	<u>(28,812,439)</u>	<u>(24,025,660)</u>	<u>4,786,779</u>
Extraordinary Item - Legal Settlement	-	(27,000,000)	(27,000,000)	-
Net Change in Fund Balance	(4,589,739)	(34,832,544)	(23,030,438)	11,802,106
Fund Balance, July 1, 2024	54,862,838	54,862,838	54,862,838	-
Restatement - Error Correction	-	-	(465,719)	(465,719)
Fund Balance, July 1, 2024 (Restated)	<u>54,862,838</u>	<u>54,862,838</u>	<u>54,397,119</u>	<u>(465,719)</u>
Fund Balance, June 30, 2025	<u>\$ 50,273,099</u>	<u>20,030,294</u>	<u>31,366,681</u>	<u>11,336,387</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Local Sales Tax	\$ 19,548,822	20,285,391	21,445,654	1,160,263
Local Liquor Tax	3,500	3,500	3,989	489
County Property Tax	12,967,650	12,967,650	13,445,167	477,517
Interest and Penalty	135,000	135,000	48,904	(86,096)
Business Tax	517,000	517,000	483,223	(33,777)
In Lieu - Local Utilities	238,500	238,500	229,240	(9,260)
Total Taxes	<u>33,410,472</u>	<u>34,147,041</u>	<u>35,656,177</u>	<u>1,509,136</u>
Licenses and Permits				
Marriage Licenses	1,700	1,700	1,474	(226)
Intergovernmental Revenues				
State of Tennessee				
Tennessee Investment in Student Achievement	45,754,386	47,489,448	47,356,761	(132,687)
Career Ladder Program	70,686	70,686	65,824	(4,862)
Bank Excise Tax	95,000	95,000	67,267	(27,733)
Other State of Tennessee Funds	11,000	54,484	323,922	269,438
Total State of Tennessee	<u>45,931,072</u>	<u>47,709,618</u>	<u>47,813,774</u>	<u>104,156</u>
Federal				
ROTC Reimbursement	75,000	75,000	74,531	(469)
Total Intergovernmental Revenues	<u>46,006,072</u>	<u>47,784,618</u>	<u>47,888,305</u>	<u>103,687</u>
Charges for Services				
School Tuition	255,500	255,500	353,146	97,646
Educare Revenue	1,473,679	1,588,279	1,699,469	111,190
Total Charges for Services	<u>1,729,179</u>	<u>1,843,779</u>	<u>2,052,615</u>	<u>208,836</u>
Investment Earnings				
Investment Income (Loss)	-	-	132,560	132,560
Revenue From Use of Property				
Rents from Buildings and Equipment	-	-	2,533	2,533
Miscellaneous				
Refunds and Reimbursements	18,000	18,000	60,264	42,264
Other Local Revenue	72,000	844,367	674,433	(169,934)
Total Miscellaneous	<u>90,000</u>	<u>862,367</u>	<u>734,697</u>	<u>(127,670)</u>
Total Revenues	<u>81,237,423</u>	<u>84,639,505</u>	<u>86,468,361</u>	<u>1,828,856</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular Education				
Capital Outlay	146,097	980,895	977,325	3,570
Other	149,827	260,181	376,918	(116,737)
Personnel Services	46,378,977	47,356,534	47,046,856	309,678
Purchased Services	583,044	710,044	671,280	38,764
Supplies	1,118,003	1,414,612	477,883	936,729
Total Regular Education	<u>48,375,948</u>	<u>50,722,266</u>	<u>49,550,262</u>	<u>1,172,004</u>
Special Education				
Capital Outlay	2,000	14,000	12,960	1,040
Other	-	59,000	156,426	(97,426)
Personnel Services	5,605,607	5,458,153	5,427,995	30,158
Purchased Services	500	500	196	304
Supplies	28,150	17,150	16,792	358
Total Special Education	<u>5,636,257</u>	<u>5,548,803</u>	<u>5,614,369</u>	<u>(65,566)</u>
Vocational Education				
Capital Outlay	4,603	4,603	4,129	474
Other	-	500	230	270
Personnel Services	2,361,837	2,494,853	2,457,933	36,920
Purchased Services	1,696	1,696	1,696	-
Supplies	41,386	40,886	40,140	746
Total Vocational Education	<u>2,409,522</u>	<u>2,542,538</u>	<u>2,504,128</u>	<u>38,410</u>
Alternative Education				
Capital Outlay	12,446	12,446	12,371	75
Personnel Services	1,471,281	1,483,260	1,450,852	32,408
Purchased Services	5,362	5,362	5,362	-
Supplies	19,006	19,006	19,006	-
Total Alternative Education	<u>1,508,095</u>	<u>1,520,074</u>	<u>1,487,591</u>	<u>32,483</u>
Total Instruction	<u>57,929,822</u>	<u>60,333,681</u>	<u>59,156,350</u>	<u>1,177,331</u>
Support Services				
Health Services				
Capital Outlay	500	10,000	8,862	1,138
Other	101,800	1,000	5,701	(4,701)
Personnel Services	1,014,610	1,017,966	987,103	30,863
Purchased Services	8,320	34,000	26,270	7,730
Supplies	19,280	37,500	36,747	753
Total Health Services	<u>1,144,510</u>	<u>1,100,466</u>	<u>1,064,683</u>	<u>35,783</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Support Services (Continued)				
Student Support				
Capital Outlay	2,500	-	-	-
Other	-	2,000	1,959	41
Purchased Services	143,000	140,000	132,356	7,644
Personnel Services	3,353,080	3,485,890	3,388,783	97,107
Supplies	-	5,239	3,015	2,224
Total Student Support	<u>3,498,580</u>	<u>3,633,129</u>	<u>3,526,113</u>	<u>107,016</u>
Regular Education				
Capital Outlay	35,000	39,730	37,366	2,364
Other	266,208	351,254	312,129	39,125
Personnel Services	4,405,501	4,664,140	4,642,830	21,310
Purchased Services	237,100	402,003	400,570	1,433
Supplies	99,388	127,882	122,027	5,855
Total Regular Education	<u>5,043,197</u>	<u>5,585,009</u>	<u>5,514,922</u>	<u>70,087</u>
Alternative Education				
Other	2,000	4,000	368	3,632
Personnel Services	61,828	87,562	83,428	4,134
Supplies	2,431	2,431	2,431	-
Total Alternative Education	<u>66,259</u>	<u>93,993</u>	<u>86,227</u>	<u>7,766</u>
Special Education				
Capital Outlay	-	4,100	-	4,100
Other	29,969	16,850	20,083	(3,233)
Personnel Services	1,154,296	1,323,829	1,315,498	8,331
Purchased Services	16,300	107,969	101,137	6,832
Supplies	2,000	4,600	4,189	411
Total Special Education	<u>1,202,565</u>	<u>1,457,348</u>	<u>1,440,907</u>	<u>16,441</u>
Vocational Education				
Personnel Services	218,672	219,997	214,261	5,736
Purchased Services	41,000	33,400	34,186	(786)
Supplies	110,162	120,162	119,956	206
Other	162	1,562	553	1,009
Total Vocational Education	<u>369,996</u>	<u>375,121</u>	<u>368,956</u>	<u>6,165</u>
Board of Education				
Fixed Charges	678,749	679,749	679,685	64
Other	637,500	712,000	598,388	113,612
Personnel Services	28,420	29,820	29,260	560
Purchased Services	54,000	116,800	102,098	14,702
Supplies	2,000	2,000	1,501	499
Total Board of Education	<u>1,400,669</u>	<u>1,540,369</u>	<u>1,410,932</u>	<u>129,437</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Support Services (Continued)				
Office of Director of Schools				
Capital Outlay	2,000	2,500	1,908	592
Other	25,000	24,500	8,458	16,042
Personnel Services	325,669	325,761	321,061	4,700
Purchased Services	108,200	99,800	85,573	14,227
Supplies	7,000	6,000	4,733	1,267
Total Office of Director of Schools	<u>467,869</u>	<u>458,561</u>	<u>421,733</u>	<u>36,828</u>
Office of Principal				
Capital Outlay	-	18,000	17,782	218
Other	135,294	3,594	2,977	617
Personnel Services	6,611,576	6,470,314	6,408,187	62,127
Purchased Services	87,664	105,264	96,578	8,686
Supplies	6,537	6,537	6,537	-
Total Office of Principal	<u>6,841,071</u>	<u>6,603,709</u>	<u>6,532,061</u>	<u>71,648</u>
Fiscal Services				
Capital Outlay	3,000	3,000	-	3,000
Other	5,350	6,550	5,650	900
Personnel Services	613,342	592,738	587,792	4,946
Purchased Services	51,500	62,500	9,852	52,648
Supplies	9,500	12,200	9,648	2,552
Total Fiscal Services	<u>682,692</u>	<u>676,988</u>	<u>612,942</u>	<u>64,046</u>
Operation of Plant				
Capital Outlay	5,000	10,000	-	10,000
Other	-	-	2,060	(2,060)
Personnel Services	2,990,001	2,870,658	2,744,438	126,220
Purchased Services	2,605,000	2,852,400	2,825,159	27,241
Supplies	155,000	232,100	219,653	12,447
Total Operation of Plant	<u>5,755,001</u>	<u>5,965,158</u>	<u>5,791,310</u>	<u>173,848</u>
Maintenance of Plant				
Other	3,000	1,500	-	1,500
Personnel Services	1,816,829	1,714,730	1,699,367	15,363
Purchased Services	151,500	179,970	135,883	44,087
Supplies	245,000	372,513	372,177	336
Total Maintenance Of Plant	<u>2,216,329</u>	<u>2,268,713</u>	<u>2,207,427</u>	<u>61,286</u>
Preschool				
Capital Outlay	2,000	2,000	-	2,000
Other	3,700	3,600	1,562	2,038
Personnel Services	534,068	495,291	475,345	19,946
Purchased Services	2,000	2,000	1,848	152
Supplies	10,000	11,500	7,115	4,385
Total Preschool	<u>551,768</u>	<u>514,391</u>	<u>485,870</u>	<u>28,521</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Support Services (Continued)				
Transportation				
Personnel	46,123	34,123	27,889	6,234
Purchased Services	3,061,431	3,088,031	29,808	3,058,223
Supplies	64,000	69,800	73,513	(3,713)
Total Transportation	<u>3,171,554</u>	<u>3,191,954</u>	<u>131,210</u>	<u>3,060,744</u>
Other Support				
Capital Outlay	3,000	5,500	5,299	201
Other	8,200	7,600	7,440	160
Personnel Services	102,422	120,058	118,610	1,448
Purchased Services	11,000	15,000	15,097	(97)
Supplies	5,700	5,500	5,425	75
Total Other Support	<u>130,322</u>	<u>153,658</u>	<u>151,871</u>	<u>1,787</u>
Community Services				
Capital Outlay	5,000	4,000	2,402	1,598
Other	28,100	15,800	14,648	1,152
Personnel Services	1,226,483	1,364,183	1,352,059	12,124
Purchased Services	8,250	13,950	12,055	1,895
Supplies	93,900	83,299	66,868	16,431
Total Community Services	<u>1,361,733</u>	<u>1,481,232</u>	<u>1,448,032</u>	<u>33,200</u>
Technology				
Capital Outlay	10,000	92,717	83,554	9,163
Other	3,000	3,000	38,931	(35,931)
Personnel Services	1,640,590	1,675,418	1,628,769	46,649
Purchased Services	262,200	159,173	(70,284)	229,457
Supplies	509,400	496,845	8,212	488,633
Total Technology	<u>2,425,190</u>	<u>2,427,153</u>	<u>1,689,182</u>	<u>737,971</u>
Other Capital Outlay				
Capital Outlay	515,959	2,860,161	2,465,819	394,342
Other	70,000	-	-	-
Total Other Capital Outlay	<u>585,959</u>	<u>2,860,161</u>	<u>2,465,819</u>	<u>394,342</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Support Services (Continued)				
Human Resources				
Capital Outlay	1,250	750	520	230
Other	2,250	5,900	5,645	255
Personnel Services	304,670	308,760	304,866	3,894
Purchased Services	900	11,500	11,080	420
Supplies	1,000	3,700	3,247	453
Total Human Resources	<u>310,070</u>	<u>330,610</u>	<u>325,358</u>	<u>5,252</u>
Attendance				
Personnel Services	337,948	309,996	295,764	14,232
Purchased Services	48,500	55,000	54,580	420
Total Attendance	<u>386,448</u>	<u>364,996</u>	<u>350,344</u>	<u>14,652</u>
Total Support Services	<u>37,611,782</u>	<u>41,082,719</u>	<u>36,025,899</u>	<u>5,056,820</u>
Debt Service				
Principal Retirement	-	150,632	535,835	(385,203)
Interest and Fiscal Charges	-	2,000	10,664	(8,664)
Other Fees	-	2,200	-	2,200
Total Debt Service	<u>-</u>	<u>154,832</u>	<u>546,499</u>	<u>(391,667)</u>
Total Expenditures	<u>95,541,604</u>	<u>101,571,232</u>	<u>95,728,748</u>	<u>5,842,484</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,304,181)</u>	<u>(16,931,727)</u>	<u>(9,260,387)</u>	<u>7,671,340</u>
Other Financing Sources (Uses)				
Transfer from General Fund	14,670,167	14,670,167	11,650,543	(3,019,624)
Transfer to General Fund	-	-	(10,740)	(10,740)
Transfer to School Special Project Fund	(62,739)	(202,739)	(257,863)	(55,124)
Transfer to Debt Service Funds	(2,273,910)	(2,691,010)	(2,625,417)	65,593
Subscription Issuance	-	-	952,421	952,421
Sale of Real Estate and Other Equipment	-	-	20	20
Total Other Financing Sources (Uses)	<u>12,333,518</u>	<u>11,776,418</u>	<u>9,708,964</u>	<u>(2,067,454)</u>
Net Change in Fund Balance	(1,970,663)	(5,155,309)	448,577	5,603,886
Fund Balance, July 1, 2024	<u>18,128,839</u>	<u>18,128,839</u>	<u>18,128,839</u>	<u>-</u>
Fund Balance, June 30, 2025	<u>\$ 16,158,176</u>	<u>12,973,530</u>	<u>18,577,416</u>	<u>5,603,886</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Nonmajor Proprietary Funds	Total	
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 6,191,179	5,162,382	12,003,204	23,356,765	6,597,245
Investments	148,260	-	-	148,260	-
Accounts Receivable (Net)	2,469,234	769,743	258,425	3,497,402	494,855
Due from Other Funds	-	-	-	-	5,678
Due from Federal Government	-	-	1,001,180	1,001,180	-
Due from State of Tennessee	-	-	928,893	928,893	-
Inventories	6,699,893	9,933	-	6,709,826	634,006
Total Current Assets	15,508,566	5,942,058	14,191,702	35,642,326	7,731,784
Noncurrent Assets					
Capital Assets					
Land	4,083,483	2,296,132	5,460,623	11,840,238	-
Buildings and Improvements	17,515,868	5,299,969	14,065,779	36,881,616	962,840
Plant in Service	346,564,666	-	-	346,564,666	-
Equipment and Vehicles	20,740,961	15,643,347	15,699,377	52,083,685	4,190,141
Less: Accumulated Depreciation	(157,818,131)	(12,509,749)	(14,562,825)	(184,890,705)	(2,642,395)
Construction In Progress	21,422,732	-	6,885,098	28,307,830	-
Net Capital Assets	252,509,579	10,729,699	27,548,052	290,787,330	2,510,586
Restricted Assets					
Investments	14,074,260	-	-	14,074,260	-
Total Restricted Assets	14,074,260	-	-	14,074,260	-
Other Assets					
Lease Receivable	704,855	-	-	704,855	-
Total Other Assets	704,855	-	-	704,855	-
Total Noncurrent Assets	267,288,694	10,729,699	27,548,052	305,566,445	2,510,586
Total Assets	282,797,260	16,671,757	41,739,754	341,208,771	10,242,370

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Nonmajor Proprietary Funds	Total	
DEFERRED OUTFLOWS OF RESOURCES					
Pension Contributions After Measurement Date	541,673	119,602	239,454	900,729	204,503
Pension Changes in Experience	766,305	87,670	328,131	1,182,106	244,067
Pension Changes in Assumptions	-	3,569	397	3,966	5,254
Deferred Bond Refunding Costs	543,037	-	-	543,037	-
Total Deferred Outflows of Resources	1,851,015	210,841	567,982	2,629,838	453,824
LIABILITIES					
Current Liabilities					
Accounts Payable	2,385,830	541,169	1,253,469	4,180,468	688,961
Accrued Payroll Expenses	488,698	110,842	181,271	780,811	110,982
Accrued Expenses	148,487	8,998	759	158,244	5,362,614
Accrued Interest Payable	512,699	15,508	75,964	604,171	19,064
Due to Other Funds	-	128	1,450	1,578	-
Unearned Revenue	1,430	35,565	-	36,995	-
Matured Bonds and Interest Payable	33,253	-	-	33,253	-
Retainages Payable	720,507	-	99,480	819,987	-
Contractor Deposits	1,058,704	-	-	1,058,704	-
Customer Deposits	418,015	27,890	44,137	490,042	-
Notes and Bonds Payable - Current Portion	5,244,878	105,000	478,000	5,827,878	281,109
Compensated Absences - Current Portion	298,050	69,796	112,494	480,340	65,717
Total Current Liabilities	11,310,551	914,896	2,247,024	14,472,471	6,528,447

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Nonmajor Proprietary Funds	Total	
LIABILITIES (CONTINUED)					
Noncurrent Liabilities					
Compensated Absences Payable	899,284	200,566	305,985	1,405,835	258,357
Net Pension Liability	1,156,417	281,309	380,388	1,818,114	266,253
Notes and Bonds Payable (Net)	84,270,167	2,316,628	7,825,328	94,412,123	884,518
Total Noncurrent Liabilities	86,325,868	2,798,503	8,511,701	97,636,072	1,409,128
Total Liabilities	97,636,419	3,713,399	10,758,725	112,108,543	7,937,575
DEFERRED INFLOWS OF RESOURCES					
Lease Related	526,821	-	-	526,821	-
Pension Changes in Assumptions	179,836	-	108,951	288,787	71,478
Pension Changes in Investment Earnings (Net)	437,711	305,339	248,087	991,137	135,018
Deferred Gain on Bond Refunding	404,735	-	-	404,735	-
Total Deferred Inflows of Resources	1,549,103	305,339	357,038	2,211,480	206,496
NET POSITION					
Net Investment in Capital Assets	176,486,589	8,308,071	19,145,244	203,939,904	1,344,959
Unrestricted	8,976,164	4,555,789	12,046,729	25,578,682	1,207,164
Total Net Position	\$ 185,462,753	12,863,860	31,191,973	229,518,586	2,552,123

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Nonmajor Proprietary Funds	Total	
Operating Revenues					
Charges for Services (Net)	\$ 43,646,098	14,252,328	8,279,352	66,177,778	27,707,873
Other Revenue	498,563	280,596	37,047	816,206	2,035,925
Total Operating Revenues	<u>44,144,661</u>	<u>14,532,924</u>	<u>8,316,399</u>	<u>66,993,984</u>	<u>29,743,798</u>
Operating Expenses					
Administration	1,218,405	662,490	727,345	2,608,240	-
Personnel Services	13,482,201	3,836,123	5,863,849	23,182,173	3,411,990
Contractual Services	1,894,280	4,994,867	1,193,677	8,082,824	19,147,848
Materials and Supplies	2,989,450	400,900	569,652	3,960,002	39,306
Repairs and Maintenance	2,912,971	3,645,309	1,692,196	8,250,476	6,538,423
Items for Resale	102	-	-	102	-
Other Operating Expenses	5,864,256	318,441	129,786	6,312,483	229,887
Depreciation and Amortization	8,565,863	1,116,263	1,365,131	11,047,257	352,057
Total Operating Expenses	<u>36,927,528</u>	<u>14,974,393</u>	<u>11,541,636</u>	<u>63,443,557</u>	<u>29,719,511</u>
Operating Income (Loss)	<u>7,217,133</u>	<u>(441,469)</u>	<u>(3,225,237)</u>	<u>3,550,427</u>	<u>24,287</u>
Nonoperating Revenues (Expenses)					
Investment Income (Loss)	63,517	-	-	63,517	34,297
Operating Grants	-	-	3,585,011	3,585,011	-
Interest Expenses and Commissions	(3,001,301)	(73,872)	(249,324)	(3,324,497)	(38,586)
Amortization of Loss on Refunding	(36,203)	-	-	(36,203)	-
Amortization of Gain on Refunding	67,456	-	-	67,456	-
Gain (Loss) on Sale of Capital Assets	(42,156)	171	2,525	(39,460)	-
Total Nonoperating Revenues (Expenses)	<u>(2,948,687)</u>	<u>(73,701)</u>	<u>3,338,212</u>	<u>315,824</u>	<u>(4,289)</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Nonmajor Proprietary Funds		
Income (Loss) Before Transfers and Capital Contributions	4,268,446	(515,170)	112,975	3,866,251	19,998
Transfers and Capital Contributions					
Transfers In	-	-	1,170,355	1,170,355	-
Transfers Out	(990,000)	-	(1,893,681)	(2,883,681)	-
Federal Capital Grant Revenue	1,173,480	-	341,807	1,515,287	-
State Capital Grant Revenue	1,249,157	-	42,726	1,291,883	-
Total Transfers and Capital Contributions	1,432,637	-	(338,793)	1,093,844	-
Change in Net Position	5,701,083	(515,170)	(225,818)	4,960,095	19,998
Net Position, July 1, 2024	179,997,857	13,440,047	31,493,172	224,931,076	2,574,913
Restatement - GASB 101	(236,187)	(61,017)	(75,381)	(372,585)	(42,788)
Net Position, July 1, 2024 (Restated)	179,761,670	13,379,030	31,417,791	224,558,491	2,532,125
Net Position, June 30, 2025	\$ 185,462,753	12,863,860	31,191,973	229,518,586	2,552,123

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The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Nonmajor Proprietary Funds	Total	
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$ 43,128,571	14,106,186	8,388,849	65,623,606	25,479
Receipts from Interfund Services Provided	314,598	348,445	-	663,043	29,823,130
Receipts (Payments) for Contractor Deposits	452,800	-	-	452,800	-
Payments to Employees	(12,830,298)	(3,639,577)	(5,600,316)	(22,070,191)	(3,227,069)
Payments to Suppliers	(11,886,542)	(5,786,124)	(1,151,584)	(18,824,250)	(25,764,126)
Payments for Interfund Services Used	(2,475,119)	(4,071,363)	(2,172,563)	(8,719,045)	(10,301)
Net Cash Provided by (Used for) Operating Activities	16,704,010	957,567	(535,614)	17,125,963	847,113
Cash Flows from Noncapital Financing Activities					
Transfers to Other Funds	(990,000)	-	(1,893,681)	(2,883,681)	-
Transfers from Other Funds	-	-	1,170,355	1,170,355	-
Operating Grants Received	-	-	4,645,275	4,645,275	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(990,000)	-	3,921,949	2,931,949	-
Cash Flows from Capital and Related Financing Activities					
Purchase of Capital Assets	(16,212,225)	(1,074,145)	(2,873,873)	(20,160,243)	-
Capital Grants Received	2,422,637	-	868,971	3,291,608	-
Principal Paid on Capital Debt	(4,891,496)	(100,000)	(465,000)	(5,456,496)	(266,570)
Interest Paid on Capital Debt	(3,369,382)	(95,442)	(307,974)	(3,772,798)	(57,191)
Payments Received on Leased Assets	55,843	-	-	55,843	-
Proceeds from Sale of Capital Assets	-	171	2,525	2,696	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(21,994,623)	(1,269,416)	(2,775,351)	(26,039,390)	(323,761)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Nonmajor Proprietary Funds	Total	
Cash Flows from Investing Activities					
Interest and Related Income (Expenses) on Investments	63,517	-	-	63,517	34,297
Sale of Investments	6,454,472	-	-	6,454,472	-
Net Cash Provided by (Used for) Investing Activities	6,517,989	-	-	6,517,989	34,297
Net Increase (Decrease) in Cash and Cash Equivalents	237,376	(311,849)	610,984	536,511	557,649
Cash and Cash Equivalents, July 1, 2024	5,953,803	5,474,231	11,392,220	22,820,254	6,039,596
Cash and Cash Equivalents, June 30, 2025	\$ 6,191,179	5,162,382	12,003,204	23,356,765	6,597,245
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Income (Loss)	\$ 7,217,133	(441,469)	(3,225,237)	3,550,427	24,287
Adjustments:					
Depreciation and Amortization	8,565,863	1,116,263	1,365,131	11,047,257	352,057
Change in Retainage Payable	367,654	-	30,845	398,499	-
Change in Net Pension Liability (Asset)	(343,213)	(67,790)	(162,090)	(573,093)	(131,816)
Changes in the Allowance for Uncollectible Receivables	(245,442)	-	2,740	(242,702)	-
(Increase) Decrease in Deferred Pension Outflows	(392,109)	33,766	45,425	(312,918)	(20,241)
Increase (Decrease) in Deferred Pension Inflows	1,346,263	207,840	344,784	1,898,887	293,584
Increase (Decrease) in Deferred Lease Inflows	(55,264)	-	-	(55,264)	-
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(405,003)	(80,345)	68,394	(416,954)	(16,113)
(Increase) Decrease in Inventories	(309,831)	-	-	(309,831)	(1,883)
(Increase) Decrease in Due from Other Funds	-	-	-	-	103,395
Increase (Decrease) in Accounts Payable and Accrued Expenses	473,655	164,805	957,671	1,596,131	235,429

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Nonmajor Proprietary Funds	Total	
Changes in Assets and Liabilities (Continued):					
Increase (Decrease) in Accrued Payroll Expenses	22,589	11,200	8,357	42,146	9,165
Increase (Decrease) in Compensated Absences	18,373	11,530	25,607	55,510	34,229
Increase (Decrease) in Contractor Deposits	452,800	-	1,316	454,116	-
Increase (Decrease) in Customer Deposits	4,217	132	-	4,349	-
Increase (Decrease) in Other Payables	(13,675)	(285)	1,443	(12,517)	-
Increase (Decrease) in Lease Payable	-	-	-	-	-
Increase (Decrease) in Unearned Revenue	-	1,920	-	1,920	-
Increase (Decrease) in Other Liabilities	-	-	-	-	(34,980)
Net Cash Provided by (Used for) Operating Activities	\$ 16,704,010	957,567	(535,614)	17,125,963	847,113

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Non-Cash Capital and Related Financing Activities

Water and Sewer:

- Amortization of Deferred Bond Refunding totaling \$36,203 as shown on the Statement of Revenues, Expenses, and Changes in Net Position
- Amortization of Gain on Deferred Bond Refunding totaling \$67,456 as shown on the Statement of Revenues, Expenses, and Changes in Net Position
- Amortization of Bond Premium totaling \$376,095 included in interest expense on the Statement of Revenues, Expenses, and Changes in Net Position
- Change in Construction Related Retainages Payable of \$367,654

City Solid Waste:

- Amortization of Bond Premium totaling \$21,278 included in interest expense on the Statement of Revenues, Expenses, and Changes in Net Position.

Nonmajor Proprietary - Stormwater Management:

- Amortization of Bond Premium totaling \$56,541 included in interest expense on the Combining Statement of Revenues, Expenses, and Changes in Net Position
- Change in Construction Related Retainages Payable of \$30,845

Internal Service Funds - Fleet Management:

- Amortization of Bond Premium totaling \$18,6045 included in interest expense on the Combining Statement of Revenues, Expenses, and Changes in Net Position.

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND - NETCO
June 30, 2025

ASSETS	
Cash and Cash Equivalents	\$ 273,531
Receivables	34,769
Due from Member Districts	<u>2,218</u>
Total Assets	<u>310,518</u>
LIABILITIES	
Due to Cooperative	<u>65,501</u>
TOTAL LIABILITIES	<u>65,501</u>
NET POSITION	
Unrestricted	<u>245,017</u>
TOTAL NET POSITION	<u><u>\$ 245,017</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND - NETCO
For the Fiscal Year Ended June 30, 2025

ADDITIONS	
Processing Payments and Rebates	\$ 3,606,871
Interest Income	7,637
Other Local Revenues	42,684
Total Additions	<u>3,657,192</u>
 DEDUCTIONS	
Personnel Services	84,955
Contractual Services	3,409,981
Materials and Supplies	1,184
Other Operating Expenses	72,976
Total Deductions	<u>3,569,096</u>
NET INCREASE IN FIDUCIARY NET POSITION	88,096
NET POSITION, BEGINNING	<u>156,921</u>
NET POSITION, ENDING	<u><u>\$ 245,017</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2025

	Johnson City Public Library	Johnson City Development Authority	Industrial Development Board	Johnson City Energy Authority	Connect Downtown Johnson City	Total Component Units
ASSETS						
Cash and Cash Equivalents	\$ 1,110,542	3,597,711	2,963	21,912,383	182,165	26,805,764
Restricted Cash and Cash Equivalents	-	483,852	-	16,304,690	-	16,788,542
Restricted Investments	-	-	-	11,352,662	-	11,352,662
Accounts Receivable (Net)	2,569	(93,717)	-	27,225,036	5,000	27,138,888
Intergovernmental Receivables	-	475,979	-	-	-	475,979
Inventory	-	-	-	16,271,301	-	16,271,301
Prepaid Expenses	5,875	84,728	-	1,399,879	-	1,490,482
Deposits	-	600	-	-	-	600
Notes Receivable	-	-	-	1,516,518	-	1,516,518
Lease Receivable	-	513,128	-	973,858	-	1,486,986
Other Current Assets	-	-	-	5,231	-	5,231
Capital Assets:						
Land	-	379,300	-	6,155,234	-	6,534,534
Book Collection	1,138,049	-	-	-	-	1,138,049
Buildings and Improvements	566,669	7,409,135	-	-	-	7,975,804
Plant In Service	-	-	-	417,339,122	-	417,339,122
Equipment and Furniture	960,442	34,952	-	-	-	995,394
Construction In Progress	-	-	-	14,010,517	-	14,010,517
Intangible Right-to-Use Software Arrangements	62,976	-	-	435,777	-	498,753
Less: Accumulated Depreciation and Amortization	(1,203,494)	(1,263,941)	-	(137,837,799)	-	(140,305,234)
Total Assets	2,643,628	11,621,727	2,963	397,064,409	187,165	411,519,892
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	-	-	-	9,346,968	-	9,346,968
OPEB Related	-	-	-	2,235,936	-	2,235,936
Lease Related	-	-	-	185,489	-	185,489
Deferred Loss on Bond Refunding	-	-	-	511,174	-	511,174
TIF Funds	-	848,886	-	-	-	848,886
Total Deferred Outflows of Resources	-	848,886	-	12,279,567	-	13,128,453
LIABILITIES						
Accounts Payable	46,863	33,513	-	32,209,295	3,603	32,293,274
Deposits Payable	-	40,094	-	5,441,251	-	5,481,345
Accrued Payroll Expenses	64,355	-	-	925,820	-	990,175
Accrued Interest Payable	-	37,088	-	235,725	-	272,813
Other Accrued Expenses	-	75,493	-	299,854	-	375,347
Unearned Revenue	-	14,022	-	-	-	14,022
Noncurrent Liabilities:						
Net Pension Liability	-	-	-	1,871,632	-	1,871,632
OPEB Liability	-	-	-	9,899,306	-	9,899,306
Due within one year	42,786	459,945	-	3,947,957	-	4,450,688
Due in more than one year	50,278	5,664,196	-	45,611,687	-	51,326,161
Total Liabilities	204,282	6,324,351	-	100,442,527	3,603	106,974,763
DEFERRED INFLOWS OF RESOURCES						
Pension Related	-	-	-	3,010,218	-	3,010,218
OPEB Related	-	-	-	1,611,275	-	1,611,275
Lease Related	-	399,104	-	973,858	-	1,372,962
Total Deferred Inflows of Resources	-	399,104	-	5,595,351	-	5,994,455
NET POSITION						
Net Investment in Capital Assets	1,507,766	2,146,248	-	256,904,979	-	260,558,993
Restricted for Imagination Library	50,137	-	-	-	-	50,137
Restricted by Enabling Legislation	-	1,803,455	-	336,904	5,000	2,145,359
Unrestricted	881,443	1,797,455	2,963	46,064,215	178,562	48,924,638
Total Net Position	\$ 2,439,346	5,747,158	2,963	303,306,098	183,562	311,679,127

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2025

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Johnson City Public Library	Johnson City Development Authority	Industrial Development Board	Johnson City Energy Authority	Connect Downtown Johnson City	Total
Johnson City Public Library:										
General Government	\$ 2,476,666	56,020	2,455,895	22,533	57,782	-	-	-	-	57,782
Imagination Library	73,356	-	64,906	-	(8,450)	-	-	-	-	(8,450)
Total Johnson City Public Library	<u>2,550,022</u>	<u>56,020</u>	<u>2,520,801</u>	<u>22,533</u>	<u>49,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,332</u>
Johnson City Development Authority:										
General Government	333,601	175,695	340,027	-	-	182,121	-	-	-	182,121
Tax Increment Financing	313,011	-	1,043,243	-	-	730,232	-	-	-	730,232
Interest on Long-Term Debt	127,649	-	127,649	-	-	-	-	-	-	-
John Sevier Center - BTA	1,777,148	2,112,315	-	-	-	335,167	-	-	-	335,167
Total Johnson City Development Authority	<u>2,551,409</u>	<u>2,288,010</u>	<u>1,510,919</u>	<u>-</u>	<u>-</u>	<u>1,247,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,247,520</u>
Industrial Development Board:										
General Government	3,045,235	-	3,045,214	-	-	-	(21)	-	-	(21)
Total Industrial Development Board	<u>3,045,235</u>	<u>-</u>	<u>3,045,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21)</u>	<u>-</u>	<u>-</u>	<u>(21)</u>
Johnson City Energy Authority:										
Electricity and Broadband	243,113,564	254,936,588	-	263,585	-	-	-	12,086,609	-	12,086,609
Interest on Long-Term Debt	1,509,446	-	-	-	-	-	-	(1,509,446)	-	(1,509,446)
Total Johnson City Energy Authority	<u>244,623,010</u>	<u>254,936,588</u>	<u>-</u>	<u>263,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,577,163</u>	<u>-</u>	<u>10,577,163</u>
Connect Downtown Johnson City										
General Government	76,130	-	153,664	-	-	-	-	-	77,534	77,534
Total Connect Downtown Johnson City	<u>76,130</u>	<u>-</u>	<u>153,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,534</u>	<u>77,534</u>
Total Component Units	<u>\$ 252,845,806</u>	<u>257,280,618</u>	<u>7,230,598</u>	<u>286,118</u>	<u>49,332</u>	<u>1,247,520</u>	<u>(21)</u>	<u>10,577,163</u>	<u>77,534</u>	<u>11,951,528</u>
General Revenues:										
Unrestricted Investment Earnings					\$ 36,912	106,137	-	1,656,371	-	1,799,420
Other General Revenue					17,363	-	-	6,316,038	-	6,333,401
E-Rate Reimbursement					8,499	-	-	-	-	8,499
Miscellaneous Revenue					-	-	-	1,008,776	-	1,008,776
Total General Revenues					<u>62,774</u>	<u>106,137</u>	<u>-</u>	<u>8,981,185</u>	<u>-</u>	<u>9,150,096</u>
Change in Net Position					<u>112,106</u>	<u>1,353,657</u>	<u>(21)</u>	<u>19,558,348</u>	<u>77,534</u>	<u>21,101,624</u>
Net Position, July 1, 2024					2,351,792	4,393,501	2,984	283,696,713	106,028	290,551,018
Prior Period Restatement					(24,552)	-	-	51,037	-	26,485
Net Position, July 1, 2024 (Restated)					<u>2,327,240</u>	<u>4,393,501</u>	<u>2,984</u>	<u>283,747,750</u>	<u>106,028</u>	<u>290,577,503</u>
Net Position, June 30, 2025					<u>\$ 2,439,346</u>	<u>5,747,158</u>	<u>2,963</u>	<u>303,306,098</u>	<u>183,562</u>	<u>311,679,127</u>

The notes to the financial statements are an integral part of this statement.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Johnson City, Tennessee (the “City”) was incorporated in 1869 and operates under a Board of Commission – City Manager form of government. The City is part of a 12 county area in northeast Tennessee and southwest Virginia known as the Appalachian Highlands.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Governmental Accounting and Financial Reporting Standards, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The accompanying financial statements present the City (primary government) and its component units, entities for which the City is considered to be financially accountable. The City is financially accountable if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on the organization or (2) there is potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are aggregately reported in a single column in the government-wide financial statements to emphasize that they are legally separate from the government.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Discretely Presented Component Units

Johnson City Energy Authority (JCEA) (dba BrightRidge) - The Johnson City Energy Authority (JCEA) was formed April 1, 2017, as a political subdivision of the State of Tennessee and is the legal entity which replaced the former Johnson City Power Board. The JCEA did file with the State of Tennessee to continue “doing business as” (dba) the Johnson City Power Board (JCPB) through October 3, 2017, at which time the JCEA filed a new dba name of BrightRidge. BrightRidge is a local power company of the Tennessee Valley Authority (TVA), furnishing electrical power to Washington County and portions of other Upper East Tennessee counties, as purchased from TVA and providing broadband and related services to service area customers. The City Commission appoints a voting majority of the JCEA’s Board. The City also receives payments in lieu of tax from the JCEA each year. Separately issued financial statements may be requested from: BrightRidge; 2600 Boones Creek Road; Johnson City, Tennessee 37615.

Industrial Development Board (IDB) - The IDB is organized to acquire, own, lease and dispose of properties to the end that the corporation may be able to maintain and increase employment opportunities by promoting industry, trade, commerce, tourism and recreation by inducing manufacturing, industrial, governmental, education, research and development, financial, service, commercial, medical-related, and recreational enterprises, to locate or remain in the City, and to have all powers that may be necessary to enable the corporation to accomplish these purposes. To further such ends, the aforementioned corporation shall be empowered to finance, acquire, own, lease and/or dispose of such properties within the City or within three miles of its corporate limits or to accumulate and lend money for said purposes as may be necessary to achieve said goals. The IDB’s Board of Directors is appointed by the City Commission and the IDB does not issue separate financial statements.

Johnson City Development Authority (JCDA) - The JCDA was established in February 1990, to facilitate business development within the City. To accomplish this function, the JCDA operates a tax increment financing (TIF) program that utilizes tax money provided to the JCDA by the City and Washington County for use in redevelopment projects. The JCDA’s Board of Commissioners and TIF projects are approved by the City Commission. Separately issued financial statements may be requested from: Johnson City Development Authority; 601 East Main Street, Johnson City, Tennessee 37601.

Johnson City Public Library - The Johnson City Public Library is a non-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) incorporated in September 1989. The Library’s Board of Directors is appointed by the City Commission and an appropriation of at least 85% of its annual support is provided by the City of Johnson City. The City is obligated to finance any deficits and all debt is financed by the City. The Library property is also owned and titled to the City of Johnson City. Separately issued financial statements may be requested from: Johnson City Public Library; 100 West Millard Street; Johnson City, Tennessee 37604.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Connect Downtown Johnson City (CDJC) - The CDJC is a non-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that serves as the advisory board for the Main Street Program of downtown Johnson City. CDJC does not issue separate financial statements.

Joint Ventures and Jointly Governed Organizations

The City is a participant with Washington County in joint ventures to operate the Washington County-Johnson City Animal Control Center, the Washington County-Johnson City Emergency Medical Services, Inc. – Ambulance Division, the Washington County Economic Development Council and the Tri-County Industrial Park. The City also participates with other local governments in the joint governance of the Tri-Cities Airport Authority.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where amounts are reasonably equivalent in value to the interfund services provided and other charges between the government’s water and sewer, solid waste, and building functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provided information about the government’s funds, including its fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. A custodial fund is generally used to account for assets that the City holds on behalf of others as their agent. All custodial funds use the accrual basis of accounting.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation – Fund Financial Statements (Continued)

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *General Purpose School Fund* accounts for transactions of the City School System. The major sources of revenue for this fund are state-shared revenues and local property and sales taxes.

The *Debt Service Fund* accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt other than that payable from enterprise funds and the general obligation debt used to construct educational facilities.

The *Educational Facilities Debt Service Fund* accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt for the construction of educational facilities.

The *Capital Project Fund* accounts for the acquisition and construction of major capital facilities, equipment, and infrastructure other than those financed by proprietary funds.

The City reports the following nonmajor governmental funds:

The *Freedom Hall Civic Center Fund* accounts for the revenues generated from the Civic Center's operations. Fee revenues are supplemented by the General Fund to the extent of the Civic Center's costs.

The *School Federal Projects Fund* accounts for all revenues received under this law.

The *Special School Projects Fund* accounts for all revenues received for various special projects for the schools.

The *School Food Service Fund* accounts for the revenues and expenditures of the school cafeterias.

The *Internal School Fund* accounts for funds held at the individual schools for internal school use such as the purchase of supplies, school clubs, and student activities. Collections from students and school activities are the foundational revenues of this fund.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation – Fund Financial Statements (Continued)

The *Transportation Planning Fund* accounts for special state and federal transportation planning projects through state and federal revenues.

The *Drug Fund* accounts for drug fines awarded by court action.

The *Police Grant and Technology Fund* accounts for all police grants from the federal, state and local governments and fees provided by moving violations to fund safety equipment and technology for the police department.

The *Community Development Fund* accounts for federal and state Housing and Urban Development Funds.

The *Senior Citizens Fund* accounts for contributions and fundraising for the Senior Citizens Center.

The *Employee Scholarship Fund* accounts for donations from City employees to fund scholarships for children of City employees who are entering college.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the activities of the City's production, storage and transportation of potable water and the City's collection, transportation, treatment and disposal of wastewater.

The *City Solid Waste Fund* accounts for the activities of the City's residential garbage refuse collection and recycling activities within City limits.

The City reports the following nonmajor proprietary funds:

The *Regional Solid Waste Fund* accounts for the activities of the City's regional residential garbage, refuse collection and recycling activities.

The *Mass Transit Fund* accounts for activities funded by federal grants from the Federal Transportation Administration and state grants provided from federal funds for support of local government transportation programs.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation – Fund Financial Statements (Continued)

The *Stormwater Management Fund* accounts for the activities of the City's stormwater and drainage management system.

The City reports the following fiduciary fund:

The *Northeast Tennessee Cooperative (NETCO) Fund* accounts for the purchase of food-related materials, supplies, equipment, and services jointly by combining the purchasing requirements of five cities and ten counties in the surrounding area. Processing costs are allocated to each member district and reimbursed to NETCO.

Additionally, the City reports the following fund type:

The *Internal Service Funds (Fleet Management Fund and Insurance Fund)* account for fleet management and insurance services provided to other departments or agencies of the government on a cost-reimbursement basis.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from / to other funds and advances to / from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the fiscal year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in / out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Restatement of Beginning Balances – Compensated Absences

During the current year, the City implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the City now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effect of the change in accounting principle is a reduction to beginning net position of \$372,585 for enterprise funds, which is the estimated amount of sick leave liability at the beginning of the fiscal year.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for local revenues, 120 days for state-shared revenues, and 360 days for expenditure-driven grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, claims, and judgments, are recorded only when payment is due.

General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

In general, taxes, licenses, federal and state grant funds, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Business taxes are not considered measurable and therefore are not susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds and the fiduciary fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information

Budgetary Basis of Accounting

The City Manager is required by charter to present to the Board of Commissioners an estimate of expenditures and revenue by department of the City for the ensuing fiscal year. The estimates are to be compiled from detailed information obtained from the departments of the City. The Board of Commissioners then prepares a tentative appropriation ordinance. Three readings of the appropriation ordinance must be approved on or before June 30th, after which date the new budget goes into effect.

As a management control, annual budgets are prepared by City departments for approval by the City Commission for all funds except for the Senior Citizens and Employee Scholarship Funds. The budget for the Johnson City Public Building Authority is not prepared by the City. Appropriations for the General Fund and applicable Special Revenue Funds are authorized at the departmental level except for the Community Development Fund, which is authorized on the project level on an annual basis to satisfy U.S. Department of Housing and Urban Development requirements. Appropriations for the Debt Service, Educational Facilities Debt Service, and the proprietary funds are authorized at the fund level. Supplemental appropriations may be authorized by ordinance during the fiscal year. There were some departments within the General Fund that had actual expenditures in excess of their final budgets for the fiscal year ended June 30, 2025.

Annual budgets for the General Fund, certain Special Revenue Funds (Freedom Hall Civic Center, School Federal Projects, Special School Projects, School Food Service, Transportation Planning, Drug, Police Grant and Technology, and Community Development), the Capital Project Fund, the Debt Service Fund, and the Educational Facilities Debt Service Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). An annual budget is also adopted for the General Purpose School Fund, which is adopted on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year-end.

G. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes impose various restrictions on the City's and its component units' deposits and investments, including repurchase agreements. These restrictions are summarized as follows:

DEPOSITS - State statutes require that all deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)

1. Cash and Cash Equivalents (Continued)

INVESTMENTS - State statutes authorize the City to invest in treasury bonds, notes or bills of the United States of America; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States of America or any of its agencies; Certificates of Deposit and other evidences of deposit at State and Federal chartered banks and Savings and Loan Associations; obligations of the United States of America or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool (LGIP); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

The City utilizes a cash management plan for all cash in checking for all funds, except for the school funds which have their own bank accounts. One bank account is used for disbursements for the City. Other accounts are maintained for utility collections of the regional systems, which are periodically transferred to the General Disbursement Account and for Debt Service. The balance of cash in each fund is maintained on the City's records and reconciled to the total in the General Disbursement Account.

The cash management plan provides that the balance in the bank is invested on a daily basis at the current interest rates. Interest income is allocated to the individual funds based on the average cash balance of the individual funds. The plan is presently with First Horizon Bank. Bids are obtained from all banks to obtain the best possible rates.

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in the LGIP. Specifically, the LGIP was established under *Tennessee Code Annotated* Title 9, Chapter 4, Part 7.

This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as Certificates of Deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. LGIP investments are carried at amortized cost, which approximates fair value. The LGIP has been classified as Cash on Deposit with State of Tennessee since they are comprised of short-term investments. The Tennessee LGIP has not been rated by a nationally recognized statistical rating organization. All other investments are reported at fair value.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)

3. Inventories and Prepaid Items

All inventories of governmental funds are valued at cost using the first-in/first-out (FIFO) method and are recorded as expenditures at the time purchased. All such inventories on hand at fiscal year-end are reported as assets and nonspendable fund balance in the fund financial statements. An adjustment is posted to fund balance at fiscal year-end to account for the purchase method inventory used in the School Food Service Fund.

All inventories of proprietary funds are valued at cost utilizing the weighted average or FIFO method, and are expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary fund financial statements. The cost of prepaid items is recorded as expenditures / expenses when consumed rather than when purchased.

4. Restricted Assets

Certain cash and investment balances of the City are classified as restricted assets on the Statement of Net Position because they are maintained in separate accounts and their use is limited by certain agreements and contracts with third parties. Restricted cash includes sinking fund accounts established to meet the requirements of certain bond issues, escrow for construction contractors established to fund retainages of outstanding construction projects upon their completion, and savings accounts for tax equivalent payments, capital improvements, and unexpected expenses. Restricted investments include securities held for larger claims of a self-insurance program.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$5,000 and an estimated useful life in excess of one year for property, plant and equipment, and assets with an initial, individual cost of more than \$100,000 for infrastructure. See Note 1.G.6 for an explanation of the City's leasing activities that result in intangible right-to-use leased assets.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)

5. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the blended component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Roads and bridges	40
Buildings and building improvements	30
Golf course improvements	15
Landfill improvements	25
Fire trucks	20
Utility lines	45
School buses, passenger vans	15
Machinery, equipment and heavy vehicles	10
Office equipment/automobiles	7
Right-to-use leased assets	1-5
Computer equipment/software licenses	3

6. Leases

Lessee - The City is a lessee for noncancellable leases of buildings and land which results in the recognition of a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate, when available. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)

6. Leases (Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor - The City is a lessor for several noncancellable leases of buildings and land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)

7. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City has items that qualify for reporting in this category. Deferred bond refunding costs result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions include contributions subsequent to the measurement date which are equivalent to the City's pension contributions made to the Tennessee Consolidated Retirement System (TCRS) during fiscal year 2025, and will be recognized as a reduction to net pension liability in the following measurement period. In addition, it includes differences between expected and actual experience as a result of the June 30, 2024 measurement date actuarial studies for the City's agent multiple-employer pension plan through TCRS and the Schools' two cost-sharing multiple-employer pension plan through TCRS, and is being amortized over the average remaining service period. Changes in proportion of net pension liability (asset) are also included as a result of the aforementioned school pension plans through TCRS. There are also deferred outflows related to the changes in assumptions as a result of the June 30, 2024 measurement date actuarial study for all three of the aforementioned plans, and is being amortized over a five-year period. Accordingly, these items are reported only in the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. These revenues are from delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. At the government-wide level, exchange transactions that are unavailable but earned are recognized in current year revenue. The current year property taxes, which have been levied, but not yet billed as of June 30, are reflected as both unearned and unavailable and are reported in the government-wide Statement of Net Position and the governmental funds Balance Sheet as a deferred inflow of resources. There are deferred inflows related to the differences between expected and actual experience on pension as a result of the June 30, 2024 measurement date actuarial study for the City's agent multiple-employer pension plan through TCRS and the Schools' two cost-sharing multiple-employer pension plan through TCRS, and is being amortized over the average remaining service period. Changes in proportion of net pension liability (asset) are also included as a result of the aforementioned school pension plans through TCRS.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)

7. Deferred Outflows / Inflows of Resources (Continued)

There are also deferred inflows related to the net difference between projected and actual earnings on pension plan investments.

The deferred outflows and inflows of resources for Other Post-Employment Benefits (OPEB) is related to the changes in assumptions and actuarial experience for the other post-employment benefits liability which is a result of the actuarial study for the City's and School's single-employer OPEB plans. These changes are being amortized over the average service of plan participants.

There are also deferred inflows related to lease activity as described in Note 1.G.6.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the applicable fund financial statements and in the government-wide financial statements.

9. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan, and the Johnson City Schools' participation in the Teacher Legacy Pension Plan and the Teacher Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's and the Johnson City Schools' respective fiduciary net positions have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan, the Teacher Legacy Pension Plan, and the Teacher Retirement Plan of TCRS, as applicable. Investments are reported at fair value.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)

10. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

11. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's practice to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – amounts constrained to specific purposes by which the City Commission, the City's highest level of decision-making authority, approves an ordinance. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Net Position / Fund Balance (Continued)

12. Fund Balance Policies (Continued)

Assigned Fund Balance – amounts the City intends to use for a specific purpose. In the fund balance policy adopted by the City Commission, the Board of Commissioners delegates to the City Manager or Finance Director the authority to assign amounts to be used for specified purposes.

Unassigned Fund Balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

14. Concentration

The City depends upon financial resources flowing from, or associated with, both the federal government and the State of Tennessee. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations.

H. Revenues and Expenditures / Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures / Expenses (Continued)

2. Property Taxes

Property taxes are levied on September 1st on property values assessed as of January 1st. After December 31st, the tax bill becomes delinquent and penalty and interest are assessed. Property taxes are declared to be a lien on the property after January 10th of the fiscal year of assessment.

3. Compensated Absences

Policy of the City (except for Schools). Vacation benefits apply to all full-time and regular part-time employees who have completed six months of continuous employment. Vacation accrues as follows:

<u>Years of Service</u>	<u>Vacation Days</u>	<u>Monthly Hour Accrual</u>
Under 5 years of service	10	6.67
6 to 10 years of service	13	8.67
11 to 15 years of service	16	10.67
16 to 20 years of service	19	12.67
20+ years of service	22	14.67

Vacation accruals for members of the Fire Bureau are based on a 24-hour day.

Vacation accrues as follows for Fire Bureau:

<u>Years of Service</u>	<u>Vacation Days</u>	<u>Monthly Hour Accrual</u>
Under 5 years of service	5 shifts	10
6 to 10 years of service	6.5 shifts	13
11 to 15 years of service	8 shifts	16
16 to 20 years of service	9.5 shifts	19
20+ years of service	11 shifts	22

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures / Expenses (Continued)

3. Compensated Absences (Continued)

Sick leave accumulates at the rate of eight hours per month for regular full-time and on a pro-rata basis for regular part-time employees. For Fire Bureau employees, a day equals 24 hours and sick leave will accrue at 24 hours a month unless Fire Bureau employees are assigned to an eight-hour shift, then they will accumulate at the rate of eight hours per month. Sick leave may be accumulated with no maximum on number of days. No accumulated sick leave obligation exists for payment of upon termination for reasons other than death or retirement. Upon retirement for an employee who has completed 15 years of service, the sick leave accumulated is credited to the years of service or the employee may elect to receive compensation at the rate of two days of sick leave at the employee's regular rate for every completed year of service, not to exceed sixty days. In the event of death, one-third of the accumulated amount is paid to the beneficiary. It is also the City's policy to permit employees from certain departments of the City to accumulate earned but unused compensation for excess hours worked. Additionally, the City now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. All compensatory time is accrued when incurred in the financial statements.

Policy of Schools. Teachers' vacation and sick leave are in accordance with state policies. Most other school employees do not accumulate vacation or sick leave in excess of a normal year's accumulation. Vacation is earned and accumulates at one day per month. Administrative personnel are allowed to accumulate vacation days and may earn up to 20 days per year after 10 years of service. Employees have eighteen months to use the vacation time or it is lost. Five days of vacation can be converted to sick time for carryover for retirement. Unused sick time is not compensated. Additionally, Johnson City Schools now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. Accrued vacation has been recorded for the twelve-month administrative personnel in the government-wide financial statements. It is estimated that any accrual for ten-month employees would be immaterial.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds balance sheet includes a reconciliation between total *fund balances of governmental funds* and *net position of governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$324,893,461 difference are as follows:

Governmental Capital Assets	\$ 685,115,283
Less: Accumulated Depreciation	(357,711,236)
Less: Internal Service Funds Capital Assets	<u>(2,510,586)</u>
Net adjustment to increase total <i>fund balances of governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u><u>\$ 324,893,461</u></u>

Another element of that reconciliation explains that “long-term liabilities, including bonds and leases payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.” The details of this \$(126,481,797) difference are as follows:

Bonds and Notes Payable (net of Unamortized Premiums and Discounts)	\$ (124,463,380)
Leases Payable	(139,784)
Subscription Liabilities	(3,693,232)
Less: Deferred Charge on Refunding	648,972
Less: Internal Service Funds Bonds and Notes Payable including Premiums	<u>1,165,627</u>
Net adjustment to reduce total <i>fund balances of governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u><u>\$ (126,481,797)</u></u>

Another element of that reconciliation explains that “long-term pension plan retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. This amount is the net pension liability (asset), net of deferred outflows and deferred inflows related to pensions.” The details of this \$31,617,697 difference are as follows:

Net Pension Asset	\$ 18,860,779
Restricted Investment - TCRS Stabilization Reserve	868,814
Deferred Outflows Related to Pensions	20,630,434
Deferred Inflows Related to Pensions	(6,906,489)
Net Pension Liability	(1,854,766)
Less: Internal Service Funds Portion	<u>18,925</u>
Net adjustment to increase total <i>fund balances of governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u><u>\$ 31,617,697</u></u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position (Continued)

Another element of that reconciliation explains that “other post-employment benefits (OPEB) represent liabilities of the City that are not recorded at the fund level. This amount is the OPEB liability, net of deferred outflows and deferred inflows related to OPEB.” The details of this (\$37,294,964) difference are as follows:

OPEB Liability	\$ (35,368,836)
Deferred Outflows Related to OPEB	7,135,325
Deferred Inflows Related to OPEB	<u>(9,061,453)</u>
Net adjustment to reduce total <i>fund balances of governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u><u>\$ (37,294,964)</u></u>

B. Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between *net change in fund balances of governmental funds* and *change in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation of general capital assets and other capital related expenses in the current period.” This difference does not include depreciation and amortization expense of \$352,056 relating to internal service funds. In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. The details of these various capital asset transactions result in a \$6,922,200 difference as follows:

Capital Outlay	\$ 28,337,470
Less: Items not Capitalized	(3,337,751)
Depreciation and Amortization Expense	<u>(18,077,519)</u>
Net adjustment to increase <i>net change in fund balances</i> <i>of governmental funds</i> to arrive at <i>change in net position</i> <i>of governmental activities</i>	<u><u>\$ 6,922,200</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$209,813 difference are as follows:

Deferred Property Taxes as of June 30, 2025	\$ 911,215
Deferred Property Taxes as of June 30, 2024	(701,402)

Net adjustment to increase <i>net change in fund balances</i> <i>of governmental funds</i> to arrive at <i>change in net position</i> <i>of governmental activities</i>	\$ 209,813

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$11,687,046 difference, which does not include the internal service funds, are as follows:

Principal Repayments on Bonds and Notes	\$ 10,611,566
Principal Repayments on Leases	54,032
Proceeds from Issuance of Leases	(30,936)
Principal Repayments on Subscription Agreements	1,172,346
Proceeds from Issuance of Subscription Agreements	(952,421)
Less: Internal Service Fund Portion	(266,569)
Amortization of Premium and Deferred Refunding	1,099,028

Net adjustment to increase <i>net change in fund balances of</i> <i>governmental funds</i> to arrive at <i>change in net position</i> <i>of governmental activities</i>	\$ 11,687,046

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of the reconciliation states that “some pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.” The details of the \$2,516,531 difference are as follows:

Change in Net Pension Asset	\$ 6,056,227
Change in TCRS Stabilization Reserve	868,814
Change in Deferred Outflows of Resources Related to Pensions	(12,623,558)
Change in Net Pension Liability	3,577,409
Change in Deferred Inflows of Resources Related to Pensions	<u>4,637,639</u>
Net adjustment to increase <i>net change in fund balances of governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u><u>\$ 2,516,531</u></u>

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Cash deposits on the Statement of Net Position include demand deposits, certificates of deposit, savings accounts, cash on deposit with paying agents, cash on deposit with the State of Tennessee, and cash deposited in escrow accounts.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City’s policy for custodial credit rate risk on deposits is to follow state guidelines.

At fiscal year-end, the City had \$23,028 of cash on hand, which has been included in cash and cash equivalents. The City’s carrying amount of deposits, including restricted cash, was \$60,294,923 and the bank balance was \$61,972,172. Of the City’s bank balance, \$61,901,311 was covered by the State of Tennessee Collateral Pool, which is a multiple financial institution collateral pool, or by amounts insured by the Federal Deposit Insurance Corporation (FDIC). The remaining \$70,861 of that balance was collateralized with securities held in the City’s name by the pledging or financial institution’s trust department or agent.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Investments

The City's investment policy is to ensure the preservation of capital in the overall investment portfolio. The City will emphasize the safety of capital first, maintain sufficient liquidity to meet obligations second, and gain the highest possible yield third. All investments made by the City will be in accordance with applicable state guidelines, which limit the types of investments to the following:

Bonds, notes, or treasury bills of the United States Government

Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by United States agencies

Certificates of deposit and other evidences of deposit at state and federally chartered banks, and savings and loan associations

The local government investment pool (cash on deposit with the state)

The City does not allow for an investment in securities maturing more than two years from the date of issue.

The City's interest in the investment pool is recorded at amortized cost which approximates fair value. The weighted average maturity is 45 days for LGIP investments. All other investments are reported at fair value. The City categorized the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Investments (Continued)

At June 30, 2025, the City's investments were as follows:

Investment Type	Fair Value or Amortized Cost	Weighted Average Maturity (Years)
Treasury Securities	\$ 29,093,591	0.04
State Treasurer's Investment Pool - Amortized Cost	148,823	N/A
Cash with Investment Firm	5,537	N/A
Fixed Rate Agency Securities	29,111,632	N/A
Total Fair Value or Amortized Cost	<u>\$ 58,359,583</u>	
Portfolio Weighted Average Maturity		0.01

Classified as:

Investments	\$ 29,260,455
Restricted Investments	31,570,528
Less: Schools TCRS Stabilization	<u>(2,471,400)</u>
Total Investments Herein	<u>\$ 58,359,583</u>

As of June 30, 2025, the City does have a concentration of credit risk relating to four investments that exceed 5% of the portfolio. The fixed rate agency securities with Fannie Mae, Federal Farm Credit Bank, and Federal Home Loan Bank are approximately 8.53%, 19.11% and 22.27%, respectively, of the City's investment portfolio. An additional 50.09% of the City's investment portfolio is in United States Treasury securities.

As of June 30, 2025, the City's investment ratings were as follows:

Rating	Rating Agency	Fair Value	Percentage of Total Investments
AA	Standard & Poor's	\$ 29,111,632	49.88%
unrated		29,247,951	50.12%
		<u>\$ 58,359,583</u>	<u>100.00%</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Investments (Continued)

Investments at fair value level at June 30, 2025 are as follows:

Investment Type	Fair Value	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Treasury Securities	\$ 29,093,591	29,093,591	-	-
Cash with Investment Firm	5,537	5,537	-	-
Fixed Rate Agency Securities	29,111,632	-	29,111,632	-
	<u>\$ 58,210,760</u>	<u>29,099,128</u>	<u>29,111,632</u>	<u>-</u>

The local government investment pool, which is valued at amortized cost, is excluded from the above presentation. Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Restricted Investments - TCRS Stabilization Trust

Legal Provisions. The City and the Johnson City Schools are members of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The City and the Johnson City Schools have placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the City or Johnson City Schools.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Investments (Continued)

Restricted Investments - TCRS Stabilization Trust (Continued)

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The City and Johnson City Schools may not impose any restrictions on investments placed by the trust on their behalf. It is the intent of the plan trustees to allocate these funds in the future to offset pension costs.

Investment Balances. Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2025, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Investments (Continued)

Restricted Investments - TCRS Stabilization Trust (Continued)

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgment and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes so to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

US Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Investments (Continued)

Restricted Investments - TCRS Stabilization Trust (Continued)

At June 30, 2025, the City and Johnson City Schools had the following investments held by the trust on its behalf:

Investments	Weighted Average Maturity (Days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 766,134
Developed Market International Equity	N/A	N/A	345,996
Emerging Market International Equity	N/A	N/A	98,856
U.S. Fixed Income	N/A	N/A	494,280
Real Estate	N/A	N/A	247,140
Short-term Securities	N/A	N/A	24,714
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	<u>494,280</u>
Total			<u><u>\$ 2,471,400</u></u>

Investment Type	Fair Value	Fair Value Measurement Using:			Amortized Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S. Equity	\$ 766,134	766,134	-	-	-
Developed Market International Equity	345,996	345,996	-	-	-
Emerging Market International Equity	98,856	98,856	-	-	-
U.S. Fixed Income	494,280	-	494,280	-	-
Real Estate	247,140	-	-	247,140	-
Short-term Securities	24,714	-	24,714	-	-
Investments at Amortized Cost using the NAV:					
Private Equity and Strategic Lending	<u>494,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>494,280</u>
Total	<u><u>\$ 2,471,400</u></u>	<u><u>1,210,986</u></u>	<u><u>518,994</u></u>	<u><u>247,140</u></u>	<u><u>494,280</u></u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Investments (Continued)

Restricted Investments - TCRS Stabilization Trust (Continued)

The target investment allocations within the Stabilization Trust are below:

Asset Class	Percentage Target Allocations	Stabilization Trust Allocation
U.S. Equity Developed Market	31%	\$ 766,134
International Equity Emerging Market	14%	\$ 345,996
International Equity Private Equity and Strategic Lending	4%	\$ 98,856
U.S. Fixed Income	20%	\$ 494,280
Real Estate	10%	\$ 247,140
Short-term Securities	1%	\$ 24,714
Total	<u>100%</u>	<u>\$ 2,471,400</u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Investments (Continued)

Restricted Investments - TCRS Stabilization Trust (Continued)

Risks and Uncertainties. The trust’s investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City and Johnson City Schools do not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City and Johnson City Schools do not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The City and Johnson City Schools places no limit on the amount that may be invested in one issuer.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City and Johnson City Schools will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the City and Johnson City Schools to pay retirement benefits of the School Department employees.

For further information concerning the legal provisions, investment policies, investment types, and credit risks of the school department’s investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at:

<https://treasury.tn.gov/Retirement/Boards-andGovernance/Reporting-and-Investment-Policies>.

The TCRS Stabilization reserve is split between the City and Johnson City Schools in the statement of net position. Amounts for the City and Johnson City Schools are as follows:

	City of Johnson City	Johnson City Schools	Total
Restricted Assets - TCRS Stabilization Reserve	\$ 868,814	1,602,586	2,471,400
Total	\$ 868,814	1,602,586	2,471,400

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the City's individual major funds, and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts:

	General	General Purpose School	Educational Facilities	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Receivables						
Taxes	\$ 46,776,726	-	-	-	-	46,776,726
Accounts	2,261,519	49,337	-	209	47,375	2,358,440
Leases	660,725	-	-	-	-	660,725
Intergovernmental	7,865,880	27,317,334	589,598	458,085	2,639,219	38,870,116
Gross Receivables	57,564,850	27,366,671	589,598	458,294	2,686,594	88,666,007
Less: Allowances for Uncollectibles	(819,192)	-	-	-	-	(819,192)
Net Total Receivables	<u>\$ 56,745,658</u>	<u>27,366,671</u>	<u>589,598</u>	<u>458,294</u>	<u>2,686,594</u>	<u>87,846,815</u>

	Water and Sewer	City Solid Waste	Nonmajor Proprietary Funds	Total Enterprise Funds
Receivables				
Accounts	\$ 4,571,204	1,489,578	558,990	6,619,772
Leases	704,855	-	-	704,855
Intergovernmental	-	-	1,930,073	1,930,073
Gross Receivables	5,276,059	1,489,578	2,489,063	9,254,700
Less: Allowance for Uncollectibles	(2,101,970)	(719,835)	(300,565)	(3,122,370)
Net Total Receivables	<u>\$ 3,174,089</u>	<u>769,743</u>	<u>2,188,498</u>	<u>6,132,330</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

C. Receivables (Continued)

	Total Governmental Funds	Total Enterprise Funds	Internal Service Funds	Total Primary Government
Receivables				
Taxes	\$ 46,776,726	-	-	46,776,726
Accounts	2,358,440	6,619,772	494,855	9,473,067
Leases	660,725	704,855	-	1,365,580
Intergovernmental	38,870,116	1,930,073	-	40,800,189
Gross Receivables	<u>88,666,007</u>	<u>9,254,700</u>	<u>494,855</u>	<u>98,415,562</u>
Less: Allowances for				
Uncollectibles	(819,192)	(3,122,370)	-	(3,941,562)
Net Total Receivables	<u>\$ 87,846,815</u>	<u>6,132,330</u>	<u>494,855</u>	<u>94,474,000</u>

Uncollectible amounts for Water and Sewer, Regional Solid Waste, and Stormwater are reported as a reduction to charges for services in operating revenue. Uncollectible amounts of the General Fund are reported as a reduction of miscellaneous revenue.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Property taxes which are delinquent at fiscal year-end are earned but not available. The tax year 2025 property taxes are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.G.7 and Note 1.H.2.

The City leases some of its buildings and land to various third parties. The leases have terms ranging from 1 to 24 years and receives payments as specified in the individual lease agreements. The City recognized \$93,362 in lease revenue and \$63,526 in interest revenue during the current fiscal year related to these leases. As of June 30, 2025, the City's total receivable for lease payments was \$1,365,580. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of June 30, 2025, the balance of the deferred inflow of resources was \$1,145,285.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Deletions	Adjustments	
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 31,716,471	-	(1,509,890)	-	30,206,581
Artwork	323,150	-	-	-	323,150
Construction in Progress	65,309,303	22,810,749	(19,650,372)	(678,494)	67,791,186
Total Capital Assets, Not Being Depreciated	97,348,924	22,810,749	(21,160,262)	(678,494)	98,320,917
Capital Assets, Being Depreciated:					
Buildings and Improvements	306,710,301	15,914,871	(406,584)	-	322,218,588
Right-to-Use Leased Assets - Buildings	266,966	30,906	-	-	297,872
Intangible Right-to-Use Software Agreements	9,277,089	952,421	(666,470)	-	9,563,040
Equipment and Vehicles	60,011,286	7,136,126	(1,460,905)	15,886	65,702,393
Intellectual Property	5,500	-	-	-	5,500
Infrastructure	189,006,973	-	-	-	189,006,973
Total Capital Assets, Being Depreciated	565,278,115	24,034,324	(2,533,959)	15,886	586,794,366
Accumulated Depreciation:					
Buildings and Improvements	(176,619,877)	(9,208,907)	406,584	-	(185,422,200)
Right-to-Use Leased Assets - Buildings	(116,131)	(53,209)	-	1,221	(168,119)
Intangible Right-to-Use Software Agreements	(2,592,251)	(1,692,584)	666,470	-	(3,618,365)
Equipment and Vehicles	(40,921,597)	(3,515,944)	1,452,687	(15,386)	(43,000,240)
Intellectual Property	(1,161)	(122)	-	-	(1,283)
Infrastructure	(121,542,220)	(3,958,809)	-	-	(125,501,029)
Total Accumulated Depreciation	(341,793,237)	(18,429,575)	2,525,741	(14,165)	(357,711,236)
Net Capital Assets, Being Depreciated	223,484,878	5,604,749	(8,218)	1,721	229,083,130
Net Governmental Activities Capital Assets	\$ 320,833,802	28,415,498	(21,168,480)	(676,773)	327,404,047

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

D. Capital Assets (Continued)

Depreciation/amortization expense was charged to functions/programs of the Governmental Activities as follows:

General Government	\$	1,453,928
Education		7,180,803
Parks, Recreation, Culture and Leisure		2,298,331
Public Works		6,175,020
Public Safety		719,628
City Services		249,809
Internal Service Funds		352,056
	<u>\$</u>	<u>18,429,575</u>

The City has several subscription based arrangements with software vendors for the access and use of software for financial management, information technology, police, and education. These services are provided in various agreements with terms ranging from one to five years with varying renewal options available. The City has imputed a discount rate ranging from 2.85% to 3.00% for existing arrangements based on the United States Treasury yield in effect on the date of commencement. Agreements entered into after implementation have been imputed using the United States Treasury yield as of date of initiation. The United States Treasury yield rate ranged from 4.50% to 4.65% as of June 30, 2025 and 4.50% to 4.65% as of June 30, 2024. Imputed rates were used to determine the present value of the intangible right-to-use asset and SBITA liability.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

D. Capital Assets (Continued)

	Primary Government				Ending Balance
	Beginning Balance	Additions	Deletions	Adjustments	
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 11,833,033	7,205	-	-	11,840,238
Construction in Progress	38,126,352	12,656,379	(22,473,915)	(986)	28,307,830
Total Capital Assets, Not Being Depreciated	49,959,385	12,663,584	(22,473,915)	(986)	40,148,068
Capital Assets, Being Depreciated:					
Buildings and Improvements	35,375,203	1,506,413	-	-	36,881,616
Plant in Service	321,483,384	25,081,282	-	-	346,564,666
Equipment and Vehicles	50,464,037	3,383,867	(1,748,833)	(15,386)	52,083,685
Total Capital Assets, Being Depreciated	407,322,624	29,971,562	(1,748,833)	(15,386)	435,529,967
Accumulated Depreciation:					
Buildings and Improvements	(6,800,160)	(1,738,471)	-	-	(8,538,631)
Plant in Service	(134,941,447)	(6,814,588)	-	-	(141,756,035)
Equipment and Vehicles	(33,823,903)	(2,494,198)	1,706,676	15,386	(34,596,039)
Total Accumulated Depreciation	(175,565,510)	(11,047,257)	1,706,676	15,386	(184,890,705)
Net Capital Assets, Being Depreciated	231,757,114	18,924,305	(42,157)	-	250,639,262
Net Business-Type Activities Capital Assets	\$281,716,499	31,587,889	(22,516,072)	(986)	290,787,330

Depreciation/amortization expense was charged to functions/programs of the Business-Type Activities as follows:

Water and Sewer	\$ 8,565,863
City Solid Waste	1,116,263
Regional Solid Waste	331,558
Mass Transit	619,773
Stormwater Management	413,800
	<u>\$ 11,047,257</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans

City of Johnson City

General Information about the Pension Plan

Plan Description

Employees of Johnson City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at:

<https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits Provided

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service-related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

City of Johnson City (Continued)

General Information about the Pension Plan (Continued)

Employees Covered By Benefit Terms

At the measurement date of June 30, 2024, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	1,091
Inactive Employees Entitled to but not yet Receiving Benefits	628
Active Employees	353
	<u>2,072</u>

The City withdrew from TCRS effective July 1, 2010. Employees hired after the date of withdrawal are not eligible to participate in TCRS. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer.

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The City has adopted a noncontributory retirement plan for its employees. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the fiscal year ended June 30, 2025, the employer contributions for the City were \$4,771,944 based on a rate of 20.36 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the fiscal year, the cost of administration, as well as an amortized portion of any unfunded liability. Employer contributions to separately finance specific liabilities were \$0 for the year ended June 30, 2025. The contributions to separately finance specific liabilities were related to employees who have returned to work under a TCRS Return to Work program which requires employer contributions.

Net Pension Liability (Asset)

Pension Liabilities (Assets)

The City's net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

City of Johnson City (Continued)

Net Pension Liability (Asset) (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

City of Johnson City (Continued)

Net Pension Liability (Asset) (Continued)

Actuarial Assumptions (Continued)

The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31%
Developed Market International Equity	5.37%	14%
Emerging Market International Equity	6.09%	4%
Private Equity and Strategic Lending	6.57%	20%
U.S. Fixed Income	1.20%	20%
Real Estate	4.38%	10%
Short-Term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

City of Johnson City (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2023	\$ 291,801,116	283,845,918	7,955,198
Changes for the Fiscal Year:			
Service Cost	2,051,427	-	2,051,427
Interest	19,299,665	-	19,299,665
Differences between Expected and Actual Experience	6,347,896	-	6,347,896
Contributions - Employer	-	4,918,523	(4,918,523)
Net Investment Income	-	27,170,559	(27,170,559)
Benefit Payments, Including Refunds of Employee Contributions	(15,863,173)	(15,863,173)	-
Administrative Expense	-	(107,776)	107,776
Other Changes	-	-	-
Net Changes	<u>11,835,815</u>	<u>16,118,133</u>	<u>(4,282,318)</u>
Balance at June 30, 2024	<u>\$ 303,636,931</u>	<u>299,964,051</u>	<u>3,672,880</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Johnson City's Net Pension Liability (Asset)	<u>\$ 39,816,552</u>	<u>3,672,880</u>	<u>(26,722,704)</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

City of Johnson City (Continued)

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense (Negative Pension Expense)

For the fiscal year ended June 30, 2025, the City recognized pension expense (negative pension expense) of \$7,445,841.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 5,764,687	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	3,169,733
Contributions Subsequent to the Measurement Date of June 30, 2024	4,771,944	(not applicable)
Total	\$ 10,536,631	3,169,733

The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2024” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

City of Johnson City (Continued)

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Fiscal Year Ended June 30:	
2026	\$ 1,459,898
2027	4,473,438
2028	(1,661,586)
2029	(1,676,796)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2025, the City reported a payable of \$363,034 for the outstanding amount of contributions to the pension plan required at the fiscal year ended June 30, 2025.

Johnson City Schools

General Information about the Pension Plan – Teacher Legacy Pension Plan

Plan Description

The Tennessee Consolidated Retirement System (TCRS) was created by state statute under *Tennessee Code Annotated* Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at:

<https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by Johnson City Schools with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

General Information about the Pension Plan – Teacher Legacy Pension Plan (Continued)

Plan Description (Continued)

The Teacher Retirement Plan became effective July 1, 2014 for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit, or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service-related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Johnson City Schools for the fiscal year ended June 30, 2025 to the Teacher Legacy Pension Plan were \$2,264,939, which is 6.81 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the fiscal year, the cost of administration, as well as an amortized portion of any unfunded liability.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

General Information about the Pension Plan – Teacher Legacy Pension Plan (Continued)

Contributions (Continued)

Employer contributions to separately finance specific liabilities were \$0 for the year ended June 30, 2025. The contributions to separately finance specific liabilities were related to employees who have returned to work under a TCRS Return to Work program which requires employer contributions.

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Teacher Legacy Pension Plan

Pension Liabilities (Assets)

At June 30, 2025, the Johnson City Schools reported a liability (asset) of (\$18,395,520) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Johnson City Schools' proportion of the net pension liability was based on Johnson City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2024, Johnson City Schools' proportion was 1.067731 percent. The proportion measured as of June 30, 2023 was 1.063206 percent.

Pension Expense (Negative Pension Expense)

For the fiscal year ended June 30, 2025, Johnson City Schools recognized pension expense (negative pension expense) of \$3,513,602.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Teacher Legacy Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2025, Johnson City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 4,905,597	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	3,582,699
Changes in Proportion of Net Pension Liability (Asset)	-	812,864
Contributions Subsequent to the Measurement Date of June 30, 2024	2,264,939	(not applicable)
Total	\$ 7,170,536	4,395,563

Johnson City Schools' employer contributions of \$2,264,939, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction (increase) of net pension liability (asset) in the fiscal year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Fiscal Year Ended June 30:

2026	\$ (2,477,652)
2027	6,743,203
2028	(1,869,204)
2029	(1,886,313)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Teacher Legacy Pension Plan (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Teacher Legacy Pension Plan (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31%
Developed Market International Equity	5.37%	14%
Emerging Market International Equity	6.09%	4%
Private Equity and Strategic Lending	6.57%	20%
U.S. Fixed Income	1.20%	20%
Real Estate	4.38%	10%
Short-Term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Teacher Legacy Pension Plan (Continued)

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents Johnson City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what Johnson City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Johnson City Schools' Proportionate Share of the Net Pension Liability (Asset)	\$ 23,368,684	(18,395,520)	(53,033,228)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2025, Johnson City Schools reported a payable of \$187,131 for the outstanding amount of contributions to the pension plan required at the fiscal year ended June 30, 2025.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

General Information about the Pension Plan – Teacher Retirement Plan

Plan Description

The TCRS was created by state statute under *Tennessee Code Annotated* Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at:

<https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by Johnson City Schools with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees.

The Teacher Retirement Plan became effective July 1, 2014 for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service-related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

General Information about the Pension Plan – Teacher Retirement Plan (Continued)

Benefits Provided (Continued)

A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute five percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Johnson City Schools for the fiscal year ended June 30, 2025 to the Teacher Retirement Plan were \$477,414, which is 2.99 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the fiscal year, the cost of administration, as well as an amortized portion of any unfunded liability. Employer contributions to separately finance specific liabilities were \$0 for the year ended June 30, 2025. The contributions to separately finance specific liabilities were related to employees who have returned to work under a TCRS Return to Work program which requires employer contributions.

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Teacher Retirement Plan

Pension Liabilities (Assets)

At June 30, 2025, Johnson City Schools reported a liability (asset) of (\$465,259) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, and the total pension asset used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. Johnson City Schools' proportion of the net pension liability (asset) was based on Johnson City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2024, Johnson City Schools' proportion was 0.652896 percent. The proportion measured as of June 30, 2023 was 0.635859 percent.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Teacher Retirement Plan (Continued)

Pension Expense (Negative Pension Expense)

For the fiscal year ended June 30, 2025, Johnson City Schools recognized pension expense (negative pension expense) of \$385,602.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2025, Johnson City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 38,432	142,940
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	78,482
Changes in Assumptions	184,885	-
Changes in Proportion of Net Pension Liability (Asset)	12,259	39,429
Contributions Subsequent to the Measurement Date of June 30, 2024	477,414	(not applicable)
Total	\$ 712,990	260,851

Johnson City Schools' employer contributions of \$477,414, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction (increase) of net pension liability (asset) in the fiscal year ended June 30, 2026.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Teacher Retirement Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Fiscal Year Ended June 30:	
2026	\$ (48,618)
2027	59,965
2028	(32,094)
2029	(31,665)
2030	6,815
Thereafter	20,322

In the preceding table, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Teacher Retirement Plan (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31%
Developed Market International Equity	5.37%	14%
Emerging Market International Equity	6.09%	4%
Private Equity and Strategic Lending	6.57%	20%
U.S. Fixed Income	1.20%	20%
Real Estate	4.38%	10%
Short-Term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Johnson City Schools (Continued)

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Teacher Retirement Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents Johnson City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what Johnson City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	<u> </u>	<u> </u>	<u> </u>
Johnson City Schools' Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 1,227,037</u>	<u>(465,259)</u>	<u>(1,724,681)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2025, Johnson City Schools reported a payable of \$38,690 for the outstanding amount of contributions to the pension plan required at the fiscal year ended June 30, 2025.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Pension Plans (Continued)

Aggregated Pension Reconciliation to Statement of Net Position

The composition of Net Pension Liability (Asset) balances as of June 30, 2025, is as follows:

	Net Pension Liability (Asset)			Total Net Pension Liability (Asset)
	City TCRS Plan	School's TCRS Teacher Legacy Plan	School's TCRS Hybrid Teacher Retirement Plan	
Governmental Activities				
Governmental Activities	\$ 1,854,766	-	-	1,854,766
Governmental Activities - School Plans	-	(18,395,520)	(465,259)	(18,860,779)
Total Governmental Activities	1,854,766	(18,395,520)	(465,259)	(17,006,013)
Business-Type Activities				
Water and Sewer Fund	1,156,417	-	-	1,156,417
City Solid Waste	281,309	-	-	281,309
Non-Major Proprietary	380,388	-	-	380,388
Total Business-Type Activities	1,818,114	-	-	1,818,114
Total Net Pension Liability (Asset)	\$ 3,672,880	(18,395,520)	(465,259)	(15,187,899)

The summary of Pension Expense (Negative Pension Expense) as of June 30, 2025, is as follows:

	City TCRS Plan	School's TCRS Teacher Legacy Plan	School's TCRS Hybrid Teacher Retirement Plan	Total
Net Pension Expense (Negative Pension Expense)	\$ 7,445,841	3,513,602	385,602	11,345,045

The summary of Pension Deferred Outflows and Deferred Inflows as of June 30, 2025, is as follows:

	City TCRS Plan	School's TCRS Teacher Legacy Plan	School's TCRS Hybrid Teacher Retirement Plan	Total
Deferred Outflows Related to Pensions				
Differences Between Expected and Actual Experience	\$ 5,764,687	4,905,597	38,432	10,708,716
Changes in Assumptions	360,265	4,084,221	184,885	4,629,371
Changes in Proportion of Net Pension Liability (Asset)	-	-	12,259	12,259
Contributions Subsequent to Measurement Date	4,624,536	2,264,939	477,414	7,366,889
Differences Between Projected and Actual Earnings on Pension Plan Investments	-	-	-	-
Total Deferred Outflows Related to Pensions	\$ 10,749,488	11,254,757	712,990	22,717,235
Deferred Inflows Related to Pensions				
Differences Between Expected and Actual Experience	\$ -	-	142,940	142,940
Changes in Proportion of Net Pension Liability (Asset)	-	812,864	39,429	852,293
Changes in Assumptions	360,265	-	-	360,265
Differences Between Projected and Actual Earnings on Pension Plan Investments	3,169,734	3,582,699	78,482	6,830,915
Total Deferred Inflows Related to Pensions	\$ 3,529,999	4,395,563	260,851	8,186,413

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

F. Deferred Compensation Plan

The City offers its employees, including employees of Johnson City Schools, a deferred compensation plan. The City of Johnson City 457(b) Deferred Compensation Plan (the "Plan") is available to all employees who have reached age 18 and have achieved six months of service. It permits these eligible employees to contribute pre-tax or post-tax dollars into the Plan, via a percentage of eligible compensation, which is defined as W-2 wages plus elective deferrals and Section 125 deductions, less fringe benefits, up to certain limits prescribed by the Internal Revenue Service.

The City will match the employee contribution to this plan 100%, not to exceed 3.00% of the covered compensation if the employee participates in the 401(a) Defined Contribution Retirement Plan. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Plan assets are in custodial accounts and are not subject to the claims of the City's general creditors and are not reflected in funds of the City. Employee contributions totaled \$775,111 for the fiscal year ended June 30, 2025.

G. Defined Contribution Plans

Johnson City Schools offers its employees a 401(a) Defined Contribution Retirement Plan, administered by the Empower Retirement Company. The employee must be 18 years of age and complete six months of service before beginning participation. Employees are required to contribute 5.00% of eligible compensation, with the City providing an equivalent match for employees hired on or after July 1, 2010 plus a match of 3.00% for contributions made into the 457(b) plan. Compensation is defined as W-2 wages plus elective deferrals and Section 125 deductions, less fringe benefits. Employee and employer contributions for the City totaled \$88,396 and \$98,550, respectively, for the fiscal year ended June 30, 2025. Employees are 100% vested in employer contributions after five years of service. Distributions are permitted upon attaining age 65, severance of employment, or death and can be taken as a lump sum or installments.

Johnson City Schools offers a 403(b) plan to its employees, administered by The OMNI Group, Inc. The Johnson City Schools 403(b) Plan (the "Plan") allows employees the opportunity to defer up to 100% of pre-tax or post-tax compensation. Employees become eligible to participate immediately upon their hire. Employee contributions totaled \$253,657 for the fiscal year ended June 30, 2025. Additionally, the Plan allows for the employer to make, but is not required to make non-elective contributions to the superintendent of schools. Non-elective employer contributions totaled \$0 for the fiscal year ended June 30, 2025. Distributions will be allowed upon severance for balances under \$1,000. Accounts in excess of \$1,000 are automatically rolled into an Individual Retirement Account.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

G. Defined Contribution Plans (Continued)

During the year ended June 30, 2024, the City closed its 401(a) plan administered by the Trust Company of Knoxville with the vast majority of those accounts being transferred to 401(k) plans administered by Empower Retirement. Retirement eligibility begins at age 65 and vested or if the Rule of 90 applies, where the sum of service and age must be equal to ninety. This plan is offered in conjunction with the aforementioned TCRS Teacher Retirement Plan for certain school employees. Employee and employer contributions totaled \$2,351,789 and \$3,261,000, respectively, for the fiscal year ended June 30, 2025.

H. Post-Employment Healthcare Benefits

City of Johnson City

Plan Description

The City of Johnson City, as a single employer, offers medical post-employment benefits which are summarized below. These benefits are approved by the Board of Commissioners and require their approval for amendment. No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

In 2008, the City Commission amended the City's post-employment healthcare benefits policy regarding employees who retire with at least 40 years of continuous City service. Under the amendment, active employees with at least 35 years of continuous service full-time service solely to the City as of July 1, 2008 are eligible to receive post age 65 coverage in the City's group health plan when they retire with 40 years or more of service at no charge to the employee. Upon reaching Medicare eligibility, the City's health plan is supplemental to Medicare.

Active employees with 30 to 34 years of full-time continuous service solely to the City as of July 1, 2008, who retire with 40 years of service before reaching Medicare eligibility, are allowed to remain in the group health plan at employee rates until reaching Medicare eligibility. Upon reaching Medicare eligibility, these employees are eligible for a reimbursement up to \$3,000 per year for a Medicare Supplement Plan, if they choose to procure such a plan.

All other active employees with less than 30 years of service as of July 1, 2008 are not eligible for any post-65 coverage or benefits as described above. However, all retirees with a minimum of 20 years of service are allowed to remain in the City's group health plan until reaching Medicare eligibility at the retiree rate.

The monthly contribution for eligible retirees increased to \$212.40 for single coverage and \$589.15 for family coverage. The Select Network has a \$900 deductible and 80% co-insurance rate. During the fiscal year ended June 30, 2025, contributions received from active employees were \$2,550,546 and contributions received from retirees were \$389,049.

**CITY OF JOHNSON CITY, TENNESSEE
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

City of Johnson City (Continued)

Employees Covered by Benefit Terms

At the valuation date of July 1, 2024, the following were covered by the benefit terms:

Inactives Receiving Benefits	88
Inactives Not Receiving Benefits	0
Actives	964
Total	1,052

Funding Policy

The contribution requirements of plan members and the City are based on pay-as-you-go financing requirements.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following methods and assumptions were used:

Actuarial Cost Method	Entry Age Normal
Amortization Period	Average Working Lifetime
Administrative Expenses	N/A - Pay As You Go
Inflation Rate	Not Provided by Actuary
Asset Valuation Method	N/A - Pay As You Go
Investment Return	Not Provided by Actuary
Projected Salary Increases	Not Provided by Actuary
Cost-of-Living Adjustments	Not Provided by Actuary
Healthcare Cost Trend Rate	4.00% - 5.00%

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

City of Johnson City (Continued)

Actuarial Methods and Assumptions (Continued)

Discount Rate: 3.97 percent as of June 30, 2024 and 5.20 percent as of June 30, 2025, based on the 20-year municipal bond index.

Mortality Rate: The mortality rates used are from the June 30, 2020 TCRS Experience Study, Political Subdivision Group.

Retirement Rate: The retirement rates used are from the June 30, 2020 TCRS Experience Study, Political Subdivision Group.

Health Care Trend Rates: It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Medical Rates</u>
2026	5.00%
2027	4.75%
2028	4.50%
2029+	4.00%

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

City of Johnson City (Continued)

OPEB Liability

The City’s OPEB liability was measured based on an actuarial valuation date of July 1, 2024 with a measurement date of June 30, 2025.

Changes in the OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance at June 30, 2024	\$ 15,914,270
Changes for the Fiscal Year:	
Service Cost	495,896
Interest	622,501
Differences between Expected and Actual Experience	(52,161)
Changes in Assumptions	1,418,638
Benefit Payments	(1,460,088)
Net Changes	1,024,786
 Balance at June 30, 2025	 \$ 16,939,056

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City calculated using the discount rate of 5.20 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20 percent) or 1-percentage-point higher (6.20 percent) than the current rate:

	1% Increase (6.20%)	Current Discount Rate (5.20%)	1% Decrease (4.20%)
OPEB Liability	\$ 15,967,045	16,939,056	17,954,003

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

City of Johnson City (Continued)

Sensitivity of the OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the OPEB liability of the City calculated using the health care trend rate of 5.00 percent decreasing to 4.00 percent, as well as what the OPEB liability would be if it were calculated using a health care trend rate that is 1-percentage-point lower (4.00 percent decreasing to 3.00 percent) or 1-percentage-point higher (6.00 percent decreasing to 5.00 percent) than the current rate:

	1% Increase 6.00% to 5.00%	Current Health Care Trend Rate 5.00% to 4.00%	1% Decrease 4.00% to 3.00%
OPEB Liability	\$ 18,557,180	16,939,056	15,521,095

OPEB Expense

For the fiscal year ended June 30, 2025, the City recognized a net negative OPEB expense after contributions of \$1,044,275.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 1,654,276	(1,187,720)
Changes in Assumptions	1,319,218	(4,803,604)
Total	\$ 2,973,494	(5,991,324)

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

City of Johnson City (Continued)

The net amount reported as a deferred outflow and inflow of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30:	
2026	\$ (1,035,658)
2027	(1,104,722)
2028	(832,209)
2029	(273,454)
2030	(141,380)
Thereafter	369,593

Johnson City Schools – Teacher Group OPEB Plan (TGOP)

Plan Description

Employees of the Johnson City Schools, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided

The Johnson City Schools offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The Johnson City Schools have two arrangements for post-employment health care benefits but do not provide subsidies.

**CITY OF JOHNSON CITY, TENNESSEE
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools Teacher Group OPEB Plan (TGOP) (Continued)

Benefits Provided (Continued)

The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At July 1, 2024, the following employees of the Johnson City Schools were covered by the benefit terms of the TGOP:

Inactive Employees currently receiving benefit payments	84
Active Employees	<u>547</u>
Total	<u><u>631</u></u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Johnson City Schools paid \$965,674 to the TGOP for OPEB benefits as they came due.

Total OPEB Liability

The total OPEB liability for the plan was measured as of June 30, 2024, and was determined by an actuarial valuation as of that date.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools Teacher Group OPEB Plan (TGOP) (Continued)

Actuarial Assumptions

The collective total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.25%
Salary Increase	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare Cost Trend Rate	10.68% for pre-65 in 2024, decreasing annually over a 13 year period to an ultimate rate of 4.50%. 13.44% for post-65 in 2024, decreasing annually over a 12 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The pre-retirement mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee mortality table for Teacher Employees projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-weighted Teacher Below Median Healthy Annuitant and adjusted with a 19% load for males and an 18% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools Teacher Group OPEB Plan (TGOP) (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

Changes in Collective Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability - Beginning Balance	\$ 21,638,591
Changes for the year:	
Service Cost	949,447
Interest	808,131
Differences Between Expected and Actual Experience	2,723,935
Changes in Assumptions	349,852
Benefit Payments	(903,011)
Net Changes	3,928,354
Total OPEB Liability - Ending Balance	\$ 25,566,945
 Nonemployer contributing entities proportionate share of the collective total OPEB liability	 \$ 7,137,165
 Employer's proportionate share of the collective total OPEB liability	 \$ 18,429,780
 Employer's proportion of the collective total OPEB liability	 72.08%

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools Teacher Group OPEB Plan (TGOP) (Continued)

Changes in Collective Total OPEB Liability (Continued)

The Johnson City Schools have a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The Johnson City School’s proportionate share of the collective total OPEB liability was based on a projection of the employer’s long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployee contributing entities, actuarially determined. The proportion changed 2.07% from the prior measurement date. The Johnson City Schools recognized \$634,802 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Johnson City School's retirees.

Changes in Assumptions

The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. This change in assumption decreased the total OPEB liability.

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Proportionate share of collective total OPEB liability	\$ 19,716,723	18,429,780	17,205,739

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools Teacher Group OPEB Plan (TGOP) (Continued)

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	1% Decrease 9.7% / 12.4%	Current Health Care Trend Rate 10.7% / 13.4%	1% Increase 11.7% / 14.4%
Proportionate share of collective total OPEB liability	\$ 16,713,219	18,429,780	20,396,761

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense

For the fiscal year ended June 30, 2025, the Johnson City Schools recognized OPEB expense of \$1,864,114.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2025, the Johnson City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 1,697,109	(2,110,429)
Proportion Change	392,844	(959,700)
Assumption Changes	1,106,204	-
Contributions subsequent to the measurement date	965,674	-
Total	\$ 4,161,831	(3,070,129)

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

**CITY OF JOHNSON CITY, TENNESSEE
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools Teacher Group OPEB Plan (TGOP) (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30:		
2026	\$	(37,627)
2027		(37,237)
2028		(37,227)
2029		(37,227)
2030		(37,227)
Thereafter		312,573

In the table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Johnson City Schools – Tennessee OPEB Plan (TNP)

Plan Description

Employees of the Johnson City Schools, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided

The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TNP does not include pharmacy coverage. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools – Tennessee OPEB Plan (TNP)

Benefits Provided (Continued)

All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The Johnson City Schools have two arrangements for post-employment health care benefits but do not provide subsidies. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At June 30, 2024, the following employees of the Johnson City Schools were covered by the benefit terms of the TNP:

Inactive Employees currently receiving benefit payments	30
Inactive Employees entitled to but not yet receiving benefit payments	59
Active Employees	<u>453</u>
Total	<u><u>542</u></u>

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Johnson City Schools did not make any payments to the TNP for OPEB benefits as they came due.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools – Tennessee OPEB Plan (TNP)

Total OPEB Liability

Actuarial Assumptions

The collective total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.25%
Salary Increase	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare Cost Trend Rate	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the headcount-weighted below median teachers PUB-2010 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2021. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load with mortality improvement projected to all future years using Scale MP-2021.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools – Tennessee OPEB Plan (TNP)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

Changes in Collective Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability - Beginning Balance	\$ 1,038,198
Changes for the year:	
Service Cost	27,545
Interest	38,640
Differences Between Expected and Actual Experience	22,481
Changes in Assumptions	(48,452)
Benefit Payments	(14,360)
Net Changes	25,854
Total OPEB Liability - Ending Balance	\$ 1,064,052
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 1,064,052
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

The Johnson City Schools have a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The Johnson City School's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployee contributing entities, actuarially determined. The Johnson City School's proportion of 0% did not change from the prior measurement date. The Johnson City School's recognized \$62,193 in revenue for support provided by nonemployee contributing entities for benefits paid to the TNP for the School's retired employees.

**CITY OF JOHNSON CITY, TENNESSEE
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools – Tennessee OPEB Plan (TNP)

Changes in Assumptions

The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. This change in assumption decreased the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense

For the fiscal year ended June 30, 2025, the Johnson City Schools recognized OPEB expense of \$62,193.

Aggregated OPEB Reconciliation to Statement of Net Position

The composition of Net OPEB Liability balances as of June 30, 2025, is as follows:

	<u>City OPEB</u>	<u>School's OPEB (TGOP) Proportionate Share</u>	<u>School's OPEB (TNP) Proportionate Share</u>	<u>Total Net OPEB Liability</u>
Governmental Activities	<u>\$ 16,939,056</u>	<u>18,429,780</u>	<u>-</u>	<u>35,368,836</u>

The City has evaluated recording OPEB in other funds, but has utilized an internal service fund for recording OPEB and has included all governmental and business-type activities in the internal service fund. All of the funds, including the business-type activities, pay into the internal service fund and the City believes it provides better transparency to include all of them in the internal service fund. As a result, at the Government Wide level all of these are reported as governmental activities.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Post-Employment Healthcare Benefits (Continued)

Aggregated OPEB Reconciliation to Statement of Net Position (Continued)

The summary of OPEB Deferred Outflows and Deferred Inflows as of June 30, 2025, is as follows:

	City OPEB	School's OPEB (TGOP) Proportionate Share	School's OPEB (TNP) Proportionate Share	Total
Deferred Outflows Related to OPEB				
Differences Between Expected and Actual Experience	\$ 1,654,276	1,697,109	-	3,351,385
Contributions	-	965,674	-	965,674
Changes in Proportion	-	392,844	-	392,844
Changes in Assumptions	1,319,218	1,106,204	-	2,425,422
Total Deferred Outflows Related to OPEB	<u>\$ 2,973,494</u>	<u>4,161,831</u>	<u>-</u>	<u>7,135,325</u>
Deferred Inflows Related to OPEB				
Differences Between Expected and Actual Experience	\$ 1,187,720	2,110,429	-	3,298,149
Changes in Proportion	-	959,700	-	959,700
Changes in Assumptions	4,803,604	-	-	4,803,604
Total Deferred Inflows Related to OPEB	<u>\$ 5,991,324</u>	<u>3,070,129</u>	<u>-</u>	<u>9,061,453</u>

I. Termination Plan Benefits

The City has an involuntary termination plan in accordance with the City Manager's contract. The estimated liability under the contract is \$216,327 at June 30, 2025, and is recorded in the government-wide financial statements. The estimated liability is made up of salary, payroll taxes, and insurance benefits.

J. Risk Management

The City carries insurance coverage through Public Entity Partners (formerly the TML Risk Management Pool) for general liability, automobile coverage, and errors and omission coverage. The City also carries auto physical damage coverage with Public Entity Partners. There was no reduction in insurance coverage from the prior year. In the past three years, the City had one settlement that exceeded policy limits. The City participates in a self-insured retention plan through Public Entity Partners for the liability program. With this coverage, the City has an aggregate limit of \$700,000 for liability retention. As of June 30, 2025, the general liability program had \$1,015,470 in claims incurred during the fiscal year for the City, but not yet settled. The amounts are not recorded in the financial statements until settlement is made. For the July 1, 2024 to July 1, 2025 policy period, the City received a dividend credit from Public Entity Partners in the amount of \$15,050.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

J. Risk Management (Continued)

The City provides for workers' compensation coverage through a self-insured plan. The City carries stop-loss insurance with an individual specific amount of \$750,000 and an aggregate excess limit of \$1,000,000. The total paid out for workers' compensation during fiscal year 2025 was \$688,381 for the City and \$142,474 for the Schools. A reconciliation of claims for the fiscal year ended June 30, 2025 and 2024 are as follows:

	June 30, 2025			June 30, 2024	Variance
	City	Schools	Total		
Claims Incurred	\$ 962,040	399,984	1,362,024	592,283	769,741
Claims Paid	(386,617)	(203,661)	(590,278)	(264,814)	(325,464)
Claims Ending	<u>\$ 575,423</u>	<u>196,323</u>	<u>771,746</u>	<u>327,469</u>	<u>444,277</u>

The above represent current year liabilities reflected in the Internal Service Funds as accrued expenses.

In addition to the above insurance, the City provides medical insurance to employees as well as post-employment health care benefits through a partially self-funded health insurance plan. Participants in the plan pay premiums as determined by the City to offset a portion of the cost of the plan. The City carries stop-loss insurance with an individual specific limit of \$150,000 and an aggregate limit of 120% of expected claims. A reconciliation of claims for the fiscal years ended June 30, 2025 and 2024 are as follows:

	June 30, 2025	June 30, 2024	Variance
Claims Accrued, Beginning	\$ 618,968	641,447	(22,479)
Claims Incurred	18,169,872	15,248,229	2,921,643
Claims Paid	<u>(17,280,667)</u>	<u>(15,270,708)</u>	<u>(2,009,959)</u>
Claims Accrued, Ending	<u>\$ 1,508,173</u>	<u>618,968</u>	<u>889,205</u>

The above liabilities are reflected in the Internal Service Funds.

There are additional estimated losses at June 30, 2025 for both automobile and general incidents that have been reflected as liabilities in the Internal Service Funds in the amount of \$980,152.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities

Governmental Activities

Bonds Payable

General obligation bonds currently outstanding and the funds from which they will be paid are as follows:

<u>Educational Facilities Debt Service Fund:</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2025</u>
Local Government Public Improvement Bonds, Series VII-I-1, 2010	12/29/2010	\$ 27,945,000	5.00%	\$ 19,860,000
General Obligation Bonds, Series 2020	12/15/2020	14,768,672	4.00% - 5.00%	7,985,000
General Obligation Bonds Series 2022	5/4/2022	1,935,000	4.00% - 5.00%	1,735,000
				<u>29,580,000</u>
<u>Debt Service Fund:</u>				
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	14,898,315	5.00%	3,470,467
Qualified School Construction Bonds, Series 2009	12/1/2009	8,160,000	1.52%	607,295
The Tennessee Municipal Bond Fund, Series 2014	12/23/2014	2,000,000	2.56%	728,994
The Tennessee Municipal Bond Fund, Series 2014	12/17/2014	1,300,000	2.58%	733,000
General Obligation Bonds, Series 2016	4/12/2016	11,205,000	2.00% - 5.00%	7,350,000

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

<u>Debt Service Fund (Continued):</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2025</u>
General Obligation Improvement and Refunding Bonds, Series 2016A	11/17/2016	20,905,517	3.00% - 5.00%	11,109,764
General Obligation Bonds, Series 2019	2/27/2019	4,805,000	5.00%	3,515,000
General Obligation Refunding Bonds, Series 2019B	7/31/2019	18,052,222	4.00% - 5.00%	14,441,696
General Obligation Bonds, Series 2020	12/15/2020	12,186,553	4.00% - 5.00%	3,228,747
General Obligation Bonds, Series 2022	5/4/2022	40,020,000	4.00% - 5.00%	35,875,000
				<u>81,059,963</u>
<u>Fleet Management:</u>				
General Obligation Bonds, Series 2020	12/15/2020	1,865,980	4.00% - 5.00%	<u>877,253</u>
				<u>877,253</u>
Total Governmental Activities General Obligation Bonds Outstanding				<u><u>\$ 111,517,216</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

Local Government Public Improvement Bonds, Series VII-I-1, 2010, as issued December 29, 2010, debt service requirements to maturity in 2034 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 1,920,000	595,800	2,515,800
2027	1,985,000	538,200	2,523,200
2028	2,055,000	478,650	2,533,650
2029	2,125,000	417,000	2,542,000
2030	2,200,000	353,250	2,553,250
2031-2034	9,575,000	729,300	10,304,300
	<u>\$ 19,860,000</u>	<u>3,112,200</u>	<u>22,972,200</u>

General Obligation Bonds, Series 2020, as issued December 15, 2020, debt service requirements to maturity in 2033 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 840,000	365,800	1,205,800
2027	880,000	323,800	1,203,800
2028	925,000	279,800	1,204,800
2029	975,000	233,550	1,208,550
2030	1,020,000	184,800	1,204,800
2031-2033	3,345,000	271,200	3,616,200
	<u>\$ 7,985,000</u>	<u>1,658,950</u>	<u>9,643,950</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds, Series 2022, as issued May 4, 2022, debt service requirements to maturity in 2042 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 70,000	78,000	148,000
2027	70,000	74,500	144,500
2028	75,000	71,000	146,000
2029	80,000	67,250	147,250
2030	85,000	63,250	148,250
2031-2035	480,000	249,000	729,000
2036-2040	600,000	129,000	729,000
2041-2042	275,000	16,600	291,600
	<u>\$ 1,735,000</u>	<u>748,600</u>	<u>2,483,600</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

The Tennessee Municipal Bond Fund, Series TCSLP 2008, as issued January 9, 2009, debt service requirements to maturity in 2029 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 805,461	173,523	978,984
2027	845,502	133,251	978,753
2028	887,404	90,975	978,379
2029	932,100	46,605	978,705
	<u>\$ 3,470,467</u>	<u>444,354</u>	<u>3,914,821</u>

Qualified School Construction Bonds, Series 2009, as issued December 1, 2009, debt service requirements to maturity in 2027 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 559,293	123,624	682,917
2027	48,002	10,302	58,304
	<u>\$ 607,295</u>	<u>133,926</u>	<u>741,221</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

The Tennessee Municipal Bond Fund, Series 2014, as issued December 17, 2014, debt service requirements to maturity in 2035 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 65,000	40,910	105,910
2027	67,000	37,055	104,055
2028	69,000	33,083	102,083
2029	70,000	29,024	99,024
2030	72,000	24,878	96,878
2031-2035	390,000	58,106	448,106
	<u>\$ 733,000</u>	<u>223,056</u>	<u>956,056</u>

The Tennessee Municipal Bond Fund, Series 2014, as issued December 23, 2014 debt service requirements to maturity in 2030 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 143,000	40,765	183,765
2027	147,000	31,775	178,775
2028	151,000	22,536	173,536
2029	155,000	13,050	168,050
2030	132,994	4,123	137,117
	<u>\$ 728,994</u>	<u>112,249</u>	<u>841,243</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds, Series 2016, as issued April 12, 2016 debt service requirements to maturity in 2036 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 540,000	299,400	839,400
2027	565,000	272,400	837,400
2028	590,000	249,800	839,800
2029	615,000	226,200	841,200
2030	640,000	201,600	841,600
2031-2035	3,595,000	603,400	4,198,400
2036	805,000	32,200	837,200
	<u>\$ 7,350,000</u>	<u>1,885,000</u>	<u>9,235,000</u>

General Obligation Improvement and Refunding Bonds, Series 2016A, as issued November 17, 2016 debt service requirements to maturity in 2036 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 1,214,191	456,532	1,670,723
2027	1,189,780	395,823	1,585,603
2028	1,239,602	348,232	1,587,834
2029	1,286,150	298,648	1,584,798
2030	1,334,663	247,202	1,581,865
2031-2035	4,100,378	589,215	4,689,593
2036	745,000	29,800	774,800
	<u>\$ 11,109,764</u>	<u>2,365,452</u>	<u>13,475,216</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds, Series 2019, as issued February 27, 2019, debt service requirements to maturity in 2039 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 250,000	151,300	401,300
2027	190,000	138,800	328,800
2028	200,000	129,300	329,300
2029	210,000	119,300	329,300
2030	220,000	108,800	328,800
2031-2035	1,250,000	393,000	1,643,000
2036-2039	1,195,000	121,800	1,316,800
	<u>\$ 3,515,000</u>	<u>1,162,300</u>	<u>4,677,300</u>

General Obligation Bonds, Series 2019B, as issued July 31, 2019, debt service requirements to maturity in 2040 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 674,990	687,866	1,362,856
2027	708,354	654,114	1,362,468
2028	744,285	618,692	1,362,977
2029	780,216	581,474	1,361,690
2030	818,713	542,459	1,361,172
2031-2035	4,755,725	2,055,335	6,811,060
2036-2040	5,959,413	848,905	6,808,318
	<u>\$ 14,441,696</u>	<u>5,988,845</u>	<u>20,430,541</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds, Series 2020, as issued December 15, 2020, debt service requirements to maturity in 2041 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 370,891	147,797	518,688
2027	383,198	129,253	512,451
2028	407,658	110,093	517,751
2029	342,000	89,710	431,710
2030	361,000	72,610	433,610
2031-2035	728,000	191,760	919,760
2036-2040	520,000	87,200	607,200
2041	116,000	4,640	120,640
	<u>\$ 3,228,747</u>	<u>833,063</u>	<u>4,061,810</u>

General Obligation Bonds, Series 2022, as issued May 4, 2022, debt service requirements to maturity in 2042 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 1,410,000	1,612,350	3,022,350
2027	1,480,000	1,541,850	3,021,850
2028	1,555,000	1,467,850	3,022,850
2029	1,630,000	1,390,100	3,020,100
2030	1,715,000	1,308,600	3,023,600
2031-2035	9,945,000	5,168,000	15,113,000
2036-2040	12,440,000	2,671,800	15,111,800
2041-2042	5,700,000	344,200	6,044,200
	<u>\$ 35,875,000</u>	<u>15,504,750</u>	<u>51,379,750</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds, Series 2020, as issued December 15, 2020, debt service requirements to maturity in 2028 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 281,109	43,863	324,972
2027	290,802	29,807	320,609
2028	305,342	15,267	320,609
	<u>\$ 877,253</u>	<u>88,937</u>	<u>966,190</u>

Total annual debt service requirements to maturity for governmental activities general obligation bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 9,143,935	4,817,530	13,961,465
2027	8,849,638	4,310,930	13,160,568
2028	9,204,291	3,915,278	13,119,569
2029	9,200,466	3,511,911	12,712,377
2030	8,599,370	3,111,572	11,710,942
2031-2035	38,164,103	10,308,316	48,472,419
2036-2040	22,264,413	3,920,705	26,185,118
2041-2042	6,091,000	365,440	6,456,440
	<u>\$ 111,517,216</u>	<u>34,261,682</u>	<u>145,778,898</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Other Notes Payable

Other notes currently outstanding and the funds from which they will be paid are as follows:

Debt Service Fund:	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2025
Promissory Note, Hands On	9/21/2017	\$ 500,000	0.00%	\$ 100,000
General Fund:				
Aerospace Park Bonds, Series 2018 Portion Guaranteed by the City	3/29/2018	1,912,500	3.00% - 4.50%	<u>1,400,000</u>
Total Governmental Activities Other Notes Payable Outstanding				<u>\$ 1,500,000</u>

Promissory Note, Hands On, issued September 21, 2017 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 50,000	-	50,000
2027	50,000	-	50,000
	<u>\$ 100,000</u>	<u>-</u>	<u>100,000</u>

Aerospace Park Bonds, Series 2018, issued March 29, 2018 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 90,000	47,275	137,275
2027	90,000	44,575	134,575
2028	95,000	41,763	136,763
2029	95,000	38,675	133,675
2030	100,000	35,587	135,587
2031-2035	555,000	125,956	680,956
2036-2038	375,000	27,400	402,400
	<u>\$ 1,400,000</u>	<u>361,231</u>	<u>1,761,231</u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Other Notes Payable (Continued)

Total annual debt service requirements to maturity for governmental activities other notes payable are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 140,000	47,275	187,275
2027	140,000	44,575	184,575
2028	95,000	41,763	136,763
2029	95,000	38,675	133,675
2030	100,000	35,587	135,587
2031-2035	555,000	125,956	680,956
2036-2038	375,000	27,400	402,400
	\$ 1,500,000	361,231	1,861,231

Financial Guarantees

In March of 2018, Tri-Cities Airport Authority (the Authority) issued \$8,500,000 Aerospace Park Bonds (Taxable), Series 2018 for the purpose of providing funds to pay for the costs of construction, site development, infrastructure, utilities, and paving of Aerospace Park, a 160-acre site that offers direct airfield access on airport property. The City, along with 5 other local municipalities, created the Authority to own and operate the Tri-Cities Airport. In order to finance the project across the life of the bonds, the Authority and 5 of the municipalities, including the City, entered into an agreement, in which each municipality guaranteed the repayment of its pro rata share. All net revenues generated from the Aerospace Park shall be used for payment of the principal, interest and other sums due under the 2017 Aerospace Park Bonds.

In any calendar year, to the extent that net revenues exceed the amount necessary to pay principal, interest, and other sums due under the Aerospace Park Bonds, such excess net revenues shall be deemed to have been contributed by the participating municipalities in proportion to each participating municipality's pro rata share, and shall reduce the Financial Commitment of each participating municipality. At the time of issuance, the City guaranteed 22.50% of the total bonds, or \$1,912,500. The City has recorded annual payments toward this agreement as contributions; in the year ended June 30, 2025, the City contributed \$85,000 toward principal and \$51,100 toward interest. The City is guarantor for \$1,400,000 of the remaining balance at June 30, 2025. The bond is set to mature June 30, 2038.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Leases Payable

Leases currently outstanding and the funds from which they will be paid are as follows:

General Fund	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2025
Building - Family Justice Center	6/8/2021	\$ 266,996	4.85%	\$ 109,606
Building - Tweetsie Trail Restrooms	1/1/2025	30,936	7.50%	30,178
Total Governmental Activities Leases Payable Outstanding				<u>\$ 139,784</u>

Family Justice Center future lease principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 55,916	4,084	60,000
2027	53,690	1,311	55,001
	<u>\$ 109,606</u>	<u>5,395</u>	<u>115,001</u>

Tweetsie Trail Restroom future lease principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 1,197	2,223	3,420
2027	1,290	2,130	3,420
2028	1,390	2,030	3,420
2029	1,498	1,922	3,420
2030	1,615	1,805	3,420
2031-2035	10,160	6,940	17,100
2036-2040	13,028	2,362	15,390
	<u>\$ 30,178</u>	<u>19,412</u>	<u>49,590</u>

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Leases Payable

Total annual principal and interest requirements to maturity for governmental activities leases are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 57,113	6,307	63,420
2027	54,980	3,441	58,421
2028	1,390	2,030	3,420
2029	1,498	1,922	3,420
2030	1,615	1,805	3,420
2031-2035	10,160	6,940	17,100
2036-2040	13,028	2,362	15,390
	<u>\$ 139,784</u>	<u>24,807</u>	<u>164,591</u>

Subscription-Based Information Technology Arrangements (SBITA)

Arrangements for software contracted for use by the City that meet the criteria of a SBITA, are recorded by the City as intangible assets and a corresponding liability. Intangible right-to-use software arrangements, net of related accumulated amortization, have been recorded in capital assets, totaling \$5,944,675 as of June 30, 2025. The SBITA liability balance is \$3,693,232 as of June 30, 2025.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Governmental Activities (Continued)

Subscription-Based Information Technology Arrangements (SBITA) (Continued)

A summary of the principal and interest amounts to maturity on the SBITA arrangements as of June 30, 2025 is as follows

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 926,548	119,125	1,045,673
2027	841,894	88,800	930,694
2028	761,150	61,428	822,578
2029	737,983	36,789	774,772
2030	425,657	12,770	438,427
	\$ 3,693,232	318,912	4,012,144

Business-Type Activities

State Revolving Loan Fund

In January 2020, the City signed an agreement for a state revolving loan fund (SRLF) for \$15,000,000 for the purpose of completing a sewer interceptor project. This loan is made at the interest rate of 1.25% and is secured by user fees and charges and/or ad valorem taxes, and covenants. There is no stipulation for forgiveness of any portion of the original principal amount of the loan. Payments are to be made monthly and the loan will mature in July 2042. The City drew a total of \$12,708,599. The remaining \$2,291,401 was not required and will not be drawn.

Bonds Payable

Bonds and notes issued for the acquisition of facilities for the enterprise funds and to be paid from enterprise funds are recorded in the applicable enterprise fund. Maturities on July 1 are considered as maturing on the preceding June 30th.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

General Obligation bonds to be repaid from enterprise funds currently outstanding and the funds from which they will be paid are as follows:

<u>Water and Sewer:</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2025</u>
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	\$ 901,685	5.00%	\$ 256,533
General Obligation Bonds, Series 2013	5/30/2013	23,970,000	2.00% - 4.00%	17,315,000
General Obligation Improvement and Refunding Bonds, Series 2016A	11/17/2016	17,289,483	3.00-5.00%	9,620,235
General Obligation Bonds, Series 2019	2/27/2019	12,380,000	5.00%	9,765,000
General Obligation Refunding Bonds, Series 2019B	7/31/2019	17,001,035	4.00% - 5.00%	13,691,759
State Revolving Loan	12/13/2019	12,708,559	1.25%	11,552,475
General Obligation Refunding Bonds, Series 2022	5/4/2022	23,000,000	4.00% - 5.00%	20,619,996
				<u>82,820,998</u>
<u>City Solid Waste:</u>				
General Obligation Bonds, Series 2019	2/27/2019	1,785,000	5.00%	1,410,000
General Obligation Bonds, Series 2020	12/15/2020	813,283	4.00% - 5.00%	705,000
				<u>2,115,000</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

<u>Stormwater Management Fund:</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2025</u>
General Obligation Bonds, Series 2013	5/30/2013	5,785,000	2.00% - 4.00%	2,930,000
General Obligation Bonds, Series 2020	12/15/2020	2,442,000	4.00% - 5.00%	2,109,000
General Obligation Bonds, Series 2022	5/4/2022	2,760,000	4.00% - 5.00%	2,470,000
				<u>7,509,000</u>
Total Business-Type Activities General Obligation Bonds Outstanding				<u>\$ 92,444,998</u>

The Tennessee Municipal Bond Fund, Series TCSLP 2008, as issued January 9, 2009, debt service requirements to maturity in 2029 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 59,539	12,827	72,366
2027	62,498	9,849	72,347
2028	65,596	6,725	72,321
2029	68,900	3,445	72,345
	<u>\$ 256,533</u>	<u>32,846</u>	<u>289,379</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds, Series 2013, as issued May 30, 2013, debt service requirements to maturity in 2043 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 720,000	567,100	1,287,100
2027	740,000	549,100	1,289,100
2028	760,000	529,675	1,289,675
2029	780,000	506,875	1,286,875
2030	805,000	483,475	1,288,475
2031-2035	4,505,000	1,990,606	6,495,606
2036-2040	5,305,000	1,192,799	6,497,799
2041-2043	3,700,000	261,625	3,961,625
	<u>\$ 17,315,000</u>	<u>6,081,255</u>	<u>23,396,255</u>

General Obligation Improvement and Refunding Bonds, Series 2016A, as issued November 17, 2016, debt service maturity in 2031 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 1,885,809	403,667	2,289,476
2027	1,425,220	309,377	1,734,597
2028	1,490,398	252,368	1,742,766
2029	1,533,850	192,752	1,726,602
2030	1,590,337	131,398	1,721,735
2031	1,694,621	67,785	1,762,406
	<u>\$ 9,620,235</u>	<u>1,357,347</u>	<u>10,977,582</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds, Series 2019, as issued February 27, 2019, debt service requirements to maturity in 2039 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 515,000	419,000	934,000
2027	540,000	393,250	933,250
2028	565,000	366,250	931,250
2029	595,000	338,000	933,000
2030	625,000	308,250	933,250
2031-2035	3,545,000	1,112,400	4,657,400
2036-2039	3,380,000	344,600	3,724,600
	<u>\$ 9,765,000</u>	<u>3,281,750</u>	<u>13,046,750</u>

General Obligation Refunding Bonds, Series 2019B, as issued July 31, 2019, debt service requirements to maturity in 2040 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 640,010	652,153	1,292,163
2027	671,646	620,153	1,291,799
2028	705,715	586,571	1,292,286
2029	739,784	551,285	1,291,069
2030	776,287	514,296	1,290,583
2031-2035	4,509,275	1,948,628	6,457,903
2036-2040	5,649,042	804,832	6,453,874
	<u>\$ 13,691,759</u>	<u>5,677,918</u>	<u>19,369,677</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

State Revolving Loan, as issued December 13, 2019, debt service requirements to maturity in 2043 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 578,928	141,096	720,024
2027	586,200	133,824	720,024
2028	593,580	126,444	720,024
2029	601,032	118,992	720,024
2030	608,592	111,432	720,024
2031-2035	3,159,672	440,448	3,600,120
2036-2040	3,363,348	236,772	3,600,120
2041-2043	2,061,123	38,866	2,099,989
	<u>\$ 11,552,475</u>	<u>1,347,874</u>	<u>12,900,349</u>

General Obligation Bonds, Series 2022, as issued May 4, 2022, debt service requirements to maturity in 2042 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 810,000	926,700	1,736,700
2027	850,000	886,200	1,736,200
2028	895,000	843,700	1,738,700
2029	940,000	798,950	1,738,950
2030	985,000	751,950	1,736,950
2031-2035	5,710,000	2,969,999	8,679,999
2036-2040	7,154,996	1,536,000	8,690,996
2041-2042	3,275,000	197,800	3,472,800
	<u>\$ 20,619,996</u>	<u>8,911,299</u>	<u>29,531,295</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds, Series 2019, as issued February 27, 2019, debt service requirements to maturity in 2039 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 75,000	60,500	135,500
2027	80,000	56,750	136,750
2028	80,000	52,750	132,750
2029	85,000	48,750	133,750
2030	90,000	44,500	134,500
2031-2035	510,000	160,600	670,600
2036-2039	490,000	50,000	540,000
	<u>\$ 1,410,000</u>	<u>473,850</u>	<u>1,883,850</u>

General Obligation Bonds, Series 2020, as issued December 15, 2020, debt service requirements to maturity in 2041 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 30,000	29,900	59,900
2027	35,000	28,400	63,400
2028	35,000	26,650	61,650
2029	35,000	24,900	59,900
2030	35,000	23,150	58,150
2031-2035	215,000	90,400	305,400
2036-2040	260,000	43,800	303,800
2041	60,000	2,400	62,400
	<u>\$ 705,000</u>	<u>269,600</u>	<u>974,600</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds, Series 2013, as issued May 30, 2013, debt service requirements to maturity in 2034 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 290,000	91,812	381,812
2027	295,000	84,563	379,563
2028	305,000	76,819	381,819
2029	315,000	67,669	382,669
2030	320,000	58,219	378,219
2031-2034	1,405,000	120,486	1,525,486
	<u>\$ 2,930,000</u>	<u>499,568</u>	<u>3,429,568</u>

General Obligation Bonds, Series 2020, as issued December 15, 2020, debt service requirements to maturity in 2041 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 93,000	89,490	182,490
2027	96,000	84,840	180,840
2028	102,000	80,040	182,040
2029	108,000	74,940	182,940
2030	114,000	69,540	183,540
2031-2035	642,000	269,640	911,640
2036-2040	780,000	130,800	910,800
2041	174,000	6,960	180,960
	<u>\$ 2,109,000</u>	<u>806,250</u>	<u>2,915,250</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds, Series 2022, as issued May 4, 2022, debt service requirements to maturity in 2042 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 95,000	110,950	205,950
2027	100,000	106,200	206,200
2028	105,000	101,200	206,200
2029	110,000	95,950	205,950
2030	120,000	90,450	210,450
2031-2035	685,000	357,000	1,042,000
2036-2040	860,000	184,800	1,044,800
2041-2042	395,000	23,800	418,800
	<u>\$ 2,470,000</u>	<u>1,070,350</u>	<u>3,540,350</u>

Total annual debt service requirements to maturity for business-type activities general obligation bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 5,792,286	3,505,195	9,297,481
2027	5,481,564	3,262,506	8,744,070
2028	5,702,289	3,049,192	8,751,481
2029	5,911,566	2,822,508	8,734,074
2030	6,069,216	2,586,660	8,655,876
2031-2035	26,580,568	9,527,992	36,108,560
2036-2040	27,242,386	4,524,403	31,766,789
2041-2043	9,665,123	531,451	10,196,574
	<u>\$ 92,444,998</u>	<u>29,809,907</u>	<u>122,254,905</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Business-Type Activities (Continued)

Notes Payable

General obligation notes to be repaid from enterprise funds currently outstanding and the funds from which they will be paid are as follows:

<u>Water and Sewer:</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2025</u>
Note Payable - Limestone Cove	3/13/2003	\$ 450,000	4.65%	\$ 281,012
Note Payable - Watauga Flats	4/20/2004	380,000	4.38%	243,330
Note Payable - Limestone Cove	4/20/2005	125,000	4.25%	82,604
Note Payable - ARRA Greggtown	1/24/2010	435,000	3.25%	317,907
				<u>\$ 924,853</u>

Note payable for Limestone Cove, as issued March 13, 2003, debt service requirements to maturity in 2041 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 12,453	12,771	25,224
2027	13,042	12,182	25,224
2028	13,661	11,563	25,224
2029	14,309	10,915	25,224
2030	14,987	10,238	25,225
2031-2035	86,283	39,833	126,116
2036-2040	108,752	17,370	126,122
2041	17,525	325	17,850
	<u>\$ 281,012</u>	<u>115,197</u>	<u>396,209</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Business-Type Activities (Continued)

Notes Payable (Continued)

Note payable for Watauga Flats, as issued April 20, 2004, debt service requirements to maturity in 2042 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 10,123	10,445	20,568
2027	10,575	9,993	20,568
2028	11,021	9,547	20,568
2029	11,539	9,029	20,568
2030	12,054	8,514	20,568
2031-2035	68,814	34,126	102,940
2036-2040	85,610	17,230	102,840
2041-2042	33,594	1,327	34,921
	<u>\$ 243,330</u>	<u>100,211</u>	<u>343,541</u>

Note payable for Limestone Cove, as issued April 20, 2005, debt service requirements to maturity in 2043 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 3,199	3,449	6,648
2027	3,338	3,310	6,648
2028	3,474	3,174	6,648
2029	3,633	3,015	6,648
2030	3,790	2,858	6,648
2031-2035	21,555	11,685	33,240
2036-2040	26,647	6,593	33,240
2041-2043	16,968	1,024	17,992
	<u>\$ 82,604</u>	<u>35,108</u>	<u>117,712</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Business-Type Activities (Continued)

Notes Payable (Continued)

Note payable for ARRA Greggtown, as issued January 24, 2010, debt service requirements to maturity in 2048 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 9,817	10,187	20,004
2027	10,141	9,863	20,004
2028	10,449	9,555	20,004
2029	10,820	9,184	20,004
2030	11,177	8,827	20,004
2031-2035	61,640	38,380	100,020
2036-2040	72,492	27,529	100,021
2041-2045	85,289	14,731	100,020
2046-2048	46,082	1,882	47,964
	<u>\$ 317,907</u>	<u>130,138</u>	<u>448,045</u>

Total annual debt service requirements to maturity for business-type activities notes payable are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 35,592	36,852	72,444
2027	37,096	35,348	72,444
2028	38,605	33,839	72,444
2029	40,301	32,143	72,444
2030	42,008	30,437	72,445
2031-2035	238,292	124,024	362,316
2036-2040	293,501	68,722	362,223
2041-2045	153,376	17,407	170,783
2046-2048	46,082	1,882	47,964
	<u>\$ 924,853</u>	<u>380,654</u>	<u>1,305,507</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Long-term debt activity for the fiscal year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 121,993,782	-	(10,476,566)	111,517,216	9,143,935
Plus: Premiums	12,685,894	-	(1,239,730)	11,446,164	-
Net Bonds Payable	<u>134,679,676</u>	<u>-</u>	<u>(11,716,296)</u>	<u>122,963,380</u>	<u>9,143,935</u>
Other Notes Payable	1,635,000	-	(135,000)	1,500,000	140,000
Leases Payable	162,880	30,936	(54,032)	139,784	57,113
Subscription Liabilities	<u>3,913,157</u>	<u>952,421</u>	<u>(1,172,346)</u>	<u>3,693,232</u>	<u>926,548</u>
Governmental Activities Long-Term Debt	<u>\$ 140,390,713</u>	<u>983,357</u>	<u>(13,077,674)</u>	<u>128,296,396</u>	<u>10,267,596</u>
Business-Type Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 97,867,345	-	(5,422,347)	92,444,998	5,792,286
Plus: Premiums	7,324,064	-	(453,914)	6,870,150	-
Net Bonds Payable	<u>105,191,409</u>	<u>-</u>	<u>(5,876,261)</u>	<u>99,315,148</u>	<u>5,792,286</u>
Notes Payable	<u>959,002</u>	<u>-</u>	<u>(34,149)</u>	<u>924,853</u>	<u>35,592</u>
Business-Type Activities Long-Term Debt	<u>\$ 106,150,411</u>	<u>-</u>	<u>(5,910,410)</u>	<u>100,240,001</u>	<u>5,827,878</u>

Changes in the deferred bond refunding costs for the fiscal year ended June 30, 2025 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Deferred Bond Refunding Costs	<u>\$ (771,069)</u>	<u>-</u>	<u>122,097</u>	<u>(648,972)</u>
Business-Type Activities:				
Deferred Bond Refunding Costs	\$ (579,239)	-	36,202	(543,037)
Deferred Gain on Bond Refunding	472,191	-	(67,456)	404,735
	<u>\$ (107,048)</u>	<u>-</u>	<u>(31,254)</u>	<u>(138,302)</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

K. Long-Term Liabilities (Continued)

Advanced Refunding - Prior Fiscal Years

The City has defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2025, the remaining defeased bonds consisted of \$11,940,000 of General Obligation Refunding Bonds, Series 2009, \$31,905,000 of 2010 Build America Bonds.

Debt Issues and Advanced Refunding - Current Fiscal Year

The City issued no General Obligation Bonds during the fiscal year ended June 30, 2025. In December 2025, the City issued \$54 million in bonds.

Other Long-Term Liabilities

Long-term liabilities for the fiscal year ended June 30, 2025 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
OPEB Obligation	\$ 31,063,709	4,305,127	-	35,368,836	2,560,504
Net Pension Liabilities	5,563,988	6,683,776	(10,392,998)	1,854,766	-
Termination Benefits	181,026	35,301	-	216,327	-
Compensated Absences	5,271,054	7,998,592	(2,655,511)	10,614,135	973,458
Governmental Activities Long-Term Liabilities	<u>\$ 42,079,777</u>	<u>19,022,796</u>	<u>(13,048,509)</u>	<u>48,054,064</u>	<u>3,533,962</u>
Business-Type Activities:					
Net Pension Liabilities	\$ 2,391,207	2,445,862	(3,018,955)	1,818,114	-
Compensated Absences	1,458,080	946,918	(518,823)	1,886,175	480,340
Business-Type Activities Long-Term Liabilities	<u>\$ 3,849,287</u>	<u>3,392,780</u>	<u>(3,537,778)</u>	<u>3,704,289</u>	<u>480,340</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund, General Purpose School Fund and certain Special Revenue Funds (Freedom Hall Civic Center Fund, School Food Service Fund, Transportation Planning Fund, and Police Grant and Technology Fund). The General Fund has typically been used to liquidate pension / OPEB liabilities for the City.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

L. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2025, is as follows:

Receivable Fund	Payable Fund	Amount
Educational Facilities Debt Service Fund	General Purpose School Fund	\$ 527,033
Fleet Management Fund	General Purpose School Fund	5,678
General Fund	General Purpose School Fund	76,107
School Capital Projects Fund	Educational Facilities Debt Service Fund	6,350,000
General Purpose School Fund	Food Service Fund	3,242
General Purpose School Fund	Freedom Hall	10,039
General Purpose School Fund	General Fund	385
General Purpose School Fund	School Activity Funds	651
General Purpose School Fund	Debt Service Fund	959
General Purpose School Fund	Educational Facilities Debt Service Fund	24,016
General Purpose School Fund	City Solid Waste Fund	128
General Purpose School Fund	Stormwater Fund	1,450
Debt Service Fund	General Fund	959
School Activity Funds	General Purpose School Fund	50
Total		<u>\$ 7,000,697</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

M. Fund Balance / Net Position

Fund balance classifications are presented in the Governmental Funds Balance Sheet and described in Note 1. The details of those fund balance classifications are as follows:

	General Fund	General Purpose School Fund	Educational Facilities Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total
Fund Balances						
Nonspendable:						
Inventories	\$ 226,965	72,122	-	-	157,243	456,330
Restricted for:						
Special Purposes	87,576	-	-	-	-	87,576
Opioid Funds	639,310	-	-	-	-	639,310
TCRS Reserve	-	1,575,988	-	-	26,598	1,602,586
Education	-	-	-	-	2,075,421	2,075,421
Food Service	-	-	-	-	3,616,855	3,616,855
Law Enforcement	147,170	-	-	-	1,267,006	1,414,176
Senior Citizens	-	-	-	-	327,481	327,481
Total Restricted	874,056	1,575,988	-	-	7,313,361	9,763,405
Committed to:						
Capital Projects	-	-	-	11,854,672	-	11,854,672
Debt Service	-	-	3,759,599	-	-	3,759,599
Economic Development	8,764,318	-	-	-	-	8,764,318
Education	-	735,195	-	-	-	735,195
Special Purposes	16,935	-	-	-	-	16,935
Stabilization Funds	15,016,494	-	-	-	-	15,016,494
Total Committed	23,797,747	735,195	3,759,599	11,854,672	-	40,147,213
Assigned to:						
Compensated Absences	5,854,117	4,208,177	-	-	205,261	10,267,555
Education	-	11,985,934	-	-	-	11,985,934
Transportation Planning	-	-	-	-	43,873	43,873
Senior Citizens	613,796	-	-	-	-	613,796
Total Assigned	6,467,913	16,194,111	-	-	249,134	22,911,158
Total	\$ 31,366,681	18,577,416	3,759,599	11,854,672	7,719,738	73,278,106

In addition, the Fleet Management Fund, which is an Internal Service Fund, had a deficit unrestricted net position at June 30, 2025, although total net position was positive. The deficit will be financed through future revenues.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

N. Interfund Transfers

Transferring Fund	Receiving Fund	Amount	Purpose
General Fund	General Purpose School Fund	\$ 11,650,543	Operations
General Fund	Debt Service Fund	9,862,921	Debt Service Requirements
General Fund	Capital Project Fund	5,479,257	Funding for Capital Projects
General Fund	Transportation Planning Fund	73,973	Operations
General Fund	Freedom Hall Fund	609,000	Operations
General Fund	Mass Transit	1,170,355	Operations
General Purpose School Fund (GPSF)	General Fund	10,740	SRO Overtime / Coaching Stipend
General Purpose School Fund	Debt Service Fund	551,402	Debt Service Requirements
General Purpose School Fund	Educational Facilities Debt Service Fund	2,074,015	Debt Service Requirements
General Purpose School Fund	Special School Projects Fund	257,863	Grant Funds Passed through GPSF
Educational Facilities Debt Service Fund	General Fund	23,807	School Fence Repair (passed through to GPSF)
Educational Facilities Debt Service Fund	Capital Project Fund	6,350,209	Funding for Capital Projects
Community Development Fund	General Fund	85,540	Return of Funds
Water and Sewer Fund	General Fund	990,000	In-Lieu of Taxes
Mass Transit	General Fund	1,893,681	Return of Funds
		<u>\$ 41,083,306</u>	

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

O. Closure and Post-Closure Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions for thirty years after closure. The Bowser Ridge Landfill closed during the fiscal year ended June 30, 1994 and the Iris Glen Landfill began receiving solid waste during the fiscal year ended June 30, 1995. The deferred post-closure costs recorded are for the Bowser Ridge Landfill. Since the Landfill closed during the fiscal year that *Governmental Accounting Standards Board* Statement No. 18 went into effect, which requires the recording of these costs, no investments have been set aside to cover these costs. All costs will be funded by the City government. A separate operation and maintenance contract with Waste Management Systems, Inc. is in effect for the Iris Glen Landfill. The contract states that Waste Management is responsible for the closure and post-closure costs for the Iris Glen Landfill. During the fiscal year ended June 30, 2025, the City paid Waste Management \$3,913,742 for Landfill Services.

P. Contingencies

The City is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable and the probability of an unfavorable outcome to the City cannot yet be determined. In relation to the legal settlement that has been reported as an extraordinary item, an additional settlement payment expected to occur after year end has been recorded in liabilities as of June 30, 2025.

The City has entered into several construction contracts in the various funds, which were not completed at fiscal year-end. The larger of these are for road construction, water and sewer lines, and schools. These amounts will be paid with bonded debt and a state revolving loan fund.

Q. Prior Period Restatements

As previously noted, there was a restatement of the beginning balances in the enterprise funds of \$372,585 related to the implementation of GASB 101.

Additionally, there was an error correction posted for an accrued liability that should have been recorded on the June 30, 2024 financial statements. As such, the beginning fund balance for the general fund has decreased by \$465,719.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

R. Segment Information

A segment is an identifiable activity (or grouping of activities) reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. Summary financial information as of June 30, 2025, for Stormwater Management Fund segment (see Note 1.D. for description of services provided) is presented below.

CONDENSED STATEMENT OF NET POSITION

	<u>Stormwater Management Fund</u>
ASSETS	
Current Assets	\$ 7,411,486
Capital Assets (Net)	<u>21,435,858</u>
Total Assets	<u>28,847,344</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	46,303
 LIABILITIES	
Current Liabilities	1,860,000
Noncurrent Liabilities	<u>7,896,003</u>
Total Liabilities	<u>9,756,003</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	9,095
 NET POSITION	
Net Investment in Capital Assets	13,033,050
Unrestricted	<u>6,095,499</u>
Total Net Position	<u>\$ 19,128,549</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

R. Segment Information (Continued)

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION**

	Stormwater Management Fund
	Fund
Operating Revenues (Expenses)	
Charges for Services (Net)	\$ 3,401,494
Other Revenue	17,344
Depreciation and Amortization	(413,800)
Other Operating Expenses	(1,497,003)
Operating Income (Loss)	1,508,035
Nonoperating Revenues (Expenses)	
Interest Expense and Commissions	(249,324)
Change in Net Position	1,258,711
Beginning Net Position	17,876,379
Restatement	(6,541)
Beginning Net Position, Restated	17,869,838
Ending Net Position	\$ 19,128,549

CONDENSED STATEMENT OF CASH FLOWS

	Stormwater Management Fund
	Fund
Net Cash Provided by (Used for):	
Operating Activities	\$ 2,958,464
Capital and Related Financing Activities	(3,252,328)
Net Increase (Decrease)	(293,864)
Beginning Cash and Cash Equivalents	7,548,491
Ending Cash and Cash Equivalents	\$ 7,254,627

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

S. Joint Ventures

The Washington County – Johnson City Animal Control Center (ACC) is an animal shelter jointly owned by Johnson City and Washington County, Tennessee. The City has control over budget and financing of the joint venture only to the extent of representation by the board members appointed and is responsible for funding 50% of any deficits from operations. Johnson City contributed \$417,697 to the operations during the fiscal year ended June 30, 2025. The ACC also has a separate foundation that is included as a discretely presented component unit.

The Washington County – Johnson City Emergency Medical Services, Inc. (EMS) receives revenue from Washington County and Johnson City, as well as patient billings. Johnson City contributed \$1,600,000 to the operations during the fiscal year ended June 30, 2025.

The City is responsible for funding the operations of the Washington County Economic Development Council (WCEDC) which serves to enhance the tax base of Washington County, recruit new industries and commerce to the area, and to manage economic development in the City. During fiscal year 2025, the City funded \$25,000 to the WCEDC. During the 2023 fiscal year, the City entered into a management agreement with WCEDC in which the Council pays the City \$25,000 quarterly. In return for the City provides the following services: business recruitment, existing business retention and expansion, site development, intergovernmental relations, staff, general record retention, document preparation, assist independent auditor, preparation of annual budget, schedule meetings, and manage funds and property of the Council. The City received \$100,000 in relation to this agreement during the year ended June 30, 2025.

The Tri-County Industrial Park is a joint venture between the City of Johnson City, Tennessee, the City of Bristol, Tennessee and Sullivan County, Tennessee. The purpose is to promote regional economic development in the quad-city area. The joint venture owns vacant parcels of land used for industrial and economic development. The City of Johnson City holds a 25% interest in the proceeds from all sales of vacant lots.

Financial statements are not prepared for the Tri-County Industrial Park.

Completed financial statements for each of the individual joint ventures (excluding the Tri-County Industrial Park) may be obtained at the administrative offices of:

Animal Control Center
3411 N Roan Street
Johnson City, Tennessee 37601

Emergency Medical Services
296 Wesley Street
Johnson City, Tennessee 37601

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

S. Joint Ventures (Continued)

Washington County Economic Development Council
300 East Main Street, Suite 406
Johnson City, Tennessee 37601

Audited information as of June 30, 2025 is presented for ACC and WCEDC. Audited information as of June 30, 2024 is presented for EMS. The information does not include the Tri-County Industrial Park. All are presented on the accrual basis.

	ACC	EMS	WCEDC
Operating Revenues	\$ 772,473	12,163,667	278,000
Operating Expenses	(2,481,373)	(16,460,760)	(201,437)
Other Income (Expense)	2,551,835	4,349,483	16,102
Net Income (Loss) Transferred to Net Position	842,935	52,390	92,665
Net Position, Beginning	10,610,207	6,070,570	503,374
Net Position, Ending	<u>\$ 11,453,142</u>	<u>6,122,960</u>	<u>596,039</u>
Total Assets	\$ 12,382,487	10,697,748	603,242
Deferred Outflows of Resources	5,202	5,105,490	-
Total Liabilities	(924,838)	(9,193,108)	(7,203)
Deferred Inflows of Resources	(9,709)	(487,170)	-
Total Net Position	<u>\$ 11,453,142</u>	<u>6,122,960</u>	<u>596,039</u>

T. Jointly-Governed Organization

The Tri-Cities Airport Authority is jointly governed by Johnson City, Kingsport and Bristol, Tennessee; Bristol, Virginia; and Washington and Sullivan County, Tennessee. The City is represented by three of twelve commissioners.

U. Other Matters

As discussed in Note 1, the City has a concentration of revenue received from the state and federal government. Some of the revenue from these grants is limited to one year or a specific project. In addition, some programs that the City has historically participated in may face reductions in funding or possibly elimination due to federal and state budget issues.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

U. Other Matters (Continued)

The City received funds from the American Rescue Plan Act (ARPA) in the amount of \$13,415,440 during prior fiscal years. The City continued to expend some of these funds during fiscal year 2025. The remaining funds that were not yet obligated or expended by the City as of June 30, 2025 have been recorded as Deferred Revenue – American Rescue Plan on the balance sheet of the fund level financial statements for the General Fund and in the statement of net position for the governmental activities.

V. Tax Abatements

The City has authorized the Industrial Development Board (IDB) of Johnson City, Tennessee to enter into property tax abatement agreements with local businesses on its behalf under Chapter 53, Title 7, Tennessee Code Annotated. Under this act, localities may enter into lease agreements with manufacturing, industrial, commercial, and financial enterprises with respect to one or more projects for such payments in order to maintain and increase employment opportunities by inducing such enterprises to locate in or to remain in the State of Tennessee.

Property tax abatement agreements are negotiated on an individual basis. The City had the following tax abatement agreements under the Economic Capital Investment Program as of June 30, 2025:

The IDB entered into an agreement with NN, Inc. on December 31, 2014. When NN, Inc. ceased operations in Johnson City, arrangements were made to move and amend the related agreements to Crown Labs during the fiscal year ended June 30, 2020. The property was transferred to the IDB and there is currently a lease agreement with Crown Labs which runs through December 31, 2029 and amended agreements were prepared for Crown Labs.

The IDB of Washington County, Tennessee entered into a lease agreement with JCM International, Inc. on June 29, 2015 for \$1,350,000 that also impacted the City's tax revenues. The purpose of the agreement is to acquire and improve a warehousing facility with capital investment of at least \$16,598,514 and to maintain a specific workforce by the end of the 5th year of the lease. Under this agreement, the company has no obligation to make any in lieu of tax payments until the PILOT expiration date of June 29, 2030, with an option to renew until June 29, 2035. At the end of the 5th year of the lease, if the company has failed to maintain 80% of the minimum thresholds for the number of qualifying employees and the amount of capital investment, the company's in lieu of tax payments shall be increased to 100% of the applicable ad valorem taxes for the remainder of the term of the facility lease.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

V. Tax Abatements (Continued)

The IDB entered into a lease agreement with Hatley Properties, LLC on December 29, 2017 for \$2,200,000. The purpose of the agreement is to acquire and construct a manufacturing facility and equipment for LPI, Inc. Under this agreement, the company must meet certain jobs requirements. The company must make in lieu of ad valorem tax payments at a specified percentage each year. These percentages increase each year, under the facility lease, until the end of 2025 at which time they will pay 100%. For the equipment lease, the percentages increased by 20% each year until the end of 2023. This agreement concluded December 31, 2023. The company has met or exceeded the annual performance requirements and no additional performance reports are required.

The IDB entered into an agreement with LabConnect on December 1, 2021. The agreement is on the personal property and is scaled in 20% increments – with each tranch of investment getting 5 years scaled – and no additional personal property conveyed to the IDB after December 31, 2025. The agreement outlined that LabConnect would increase employment of 211 new jobs and add \$8,650,000 investment in new equipment over the five-year period.

The IDB entered into a lease agreement with LHP Development LLC on September 23, 2022. The purpose of the agreement is for the construction, rehabilitation and equipping of a new affordable housing facility consisting of 145 units. For the first three years, LHP shall pay annual payment in lieu of taxes equal to the amount for the Tax Year ending December 31, 2022. In Year 1 (after construction completion), LHP shall pay \$30,000 payment in lieu of taxes and the amount will increase annually by 2% for twenty years. LHP is required to submit on or before October 1 of each year to the Tennessee State Board of Equalization the annual report required to be submitted pursuant to Section 7-53-305 of the Act. Additionally, the IDB entered into a loan agreement in the amount of \$5,943,525 with Roan Hill LP on September 23, 2022. The purpose of the loan is to provide additional funding for acquisition of the land and the development of the property.

The IDB entered into a lease agreement with Tyler Housing Partners LP on January 17, 2024. The purpose of the agreement is to acquire and renovate a 101 unit multi-family, affordable housing development. The agreement is on the real property commences on January 1 of the calendar year following the year in which the project is placed in service (Tax Year 1) and each subsequent year through the 15th Tax Year. Beginning in Tax Year 1, the in lieu of tax payment due to the City of Johnson City is fixed at \$14,018 and increases each year by 3% until the end of the fifteenth year. Tyler Housing Partners LP is required to submit an annual compliance report due by September 15 of each year that includes the value of the project, the date and remaining term of the lease, the amount of In Lieu of Tax Payments payable, and a copy of the Annual Certification submitted to THDA certifying compliance with LIHTC requirements.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN JOHNSON CITY'S NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ended June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Total Pension Liability										
Service Cost	\$ 2,658,119	2,488,177	2,409,617	2,437,926	2,274,074	2,181,602	2,076,428	2,290,327	2,241,466	2,051,427
Interest	14,449,410	14,937,911	15,549,942	16,077,432	16,328,682	16,862,303	17,307,000	17,564,650	18,416,789	19,299,665
Differences between Actual and Expected Experience	(1,275,026)	726,843	2,000,093	(3,647,512)	571,451	(383,449)	89,687	6,752,554	7,772,217	6,347,896
Change of Assumptions	-	-	5,139,700	-	-	-	14,870,664	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(8,703,878)	(9,594,551)	(10,233,342)	(11,171,733)	(11,305,246)	(12,137,627)	(12,705,431)	(13,410,342)	(14,458,426)	(15,863,173)
Net Change in Total Pension Liability	7,128,625	8,558,380	14,866,010	3,696,113	7,868,961	6,522,829	21,638,348	13,197,189	13,972,046	11,835,815
Total Pension Liability - Beginning	194,352,615	201,481,240	210,039,620	224,905,630	228,601,743	236,470,704	242,993,533	264,631,881	277,829,070	291,801,116
Total Pension Liability - Ending (a)	\$ 201,481,240	210,039,620	224,905,630	228,601,743	236,470,704	242,993,533	264,631,881	277,829,070	291,801,116	303,636,931
Plan Fiduciary Net Position										
Contributions - Employer	\$ 6,445,525	6,184,569	6,240,342	6,173,311	6,063,105	5,728,167	5,360,180	5,559,009	5,211,723	4,918,523
Contributions - Employee	98	73	-	-	-	-	4,396	-	253	-
Net Investment Income	5,785,524	5,059,315	21,761,952	17,369,712	16,489,136	11,510,495	61,048,231	(11,096,403)	18,172,015	27,170,559
Benefit Payments, including Refunds of Employee Contributions	(8,703,878)	(9,594,551)	(10,233,342)	(11,171,733)	(11,305,246)	(12,137,627)	(12,705,431)	(13,410,342)	(14,458,426)	(15,863,173)
Administrative Expense	(40,426)	(55,037)	(57,940)	(61,390)	(53,832)	(49,557)	(46,464)	(46,871)	(89,194)	(107,776)
Other	-	-	(273)	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	3,486,843	1,594,369	17,710,739	12,309,900	11,193,163	5,051,478	53,660,912	(18,994,607)	8,836,371	16,118,133
Plan Fiduciary Net Position - Beginning	188,996,750	192,483,593	194,077,962	211,788,701	224,098,601	235,291,764	240,343,242	294,004,154	275,009,547	283,845,918
Plan Fiduciary Net Position - Ending (b)	\$ 192,483,593	194,077,962	211,788,701	224,098,601	235,291,764	240,343,242	294,004,154	275,009,547	283,845,918	299,964,051
Net Pension Liability (Asset) - Ending (a) - (b)	\$ 8,997,647	15,961,658	13,116,929	4,503,142	1,178,940	2,650,291	(29,372,273)	2,819,523	7,955,198	3,672,880
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.53%	92.40%	94.17%	98.03%	99.50%	98.91%	111.10%	98.99%	97.27%	98.79%
Covered Payroll	\$ 32,949,533	31,617,050	31,903,589	29,866,192	29,332,872	28,162,076	27,001,063	26,510,078	25,634,638	24,169,643
Net Pension Liability (Asset) as a Percentage of Covered Payroll	27.31%	50.48%	41.11%	15.08%	4.02%	9.41%	-108.78%	10.64%	31.03%	15.20%

Notes to Schedule

Changes of assumptions: In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

**CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF JOHNSON CITY'S CONTRIBUTIONS BASED ON
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ended June 30**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Actuarially Determined Contribution Contributions in relation to the	\$ 6,184,569	6,240,342	6,173,311	6,063,105	5,728,167	5,360,180	5,559,009	5,211,723	4,918,523	4,771,944
Actuarially Determined Contribution	<u>6,184,569</u>	<u>6,240,342</u>	<u>6,173,311</u>	<u>6,063,105</u>	<u>5,728,167</u>	<u>5,360,180</u>	<u>5,559,009</u>	<u>5,211,723</u>	<u>4,918,523</u>	<u>4,771,944</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	31,617,050	31,903,589	29,866,192	29,332,872	28,162,076	27,001,063	26,510,078	25,634,638	24,169,643	23,437,838
Contributions as a Percentage of Covered Payroll	19.56%	19.56%	20.67%	20.67%	20.34%	19.85%	20.97%	20.33%	20.35%	20.36%

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF JOHNSON CITY'S CONTRIBUTIONS BASED ON
 PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
 Last Fiscal Year Ended June 30**

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates for fiscal year 2025 were calculated based on the June 30, 2023 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost-of-Living Adjustments	2.125 percent

Changes of assumptions:

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF JOHNSON CITY'S CONTRIBUTIONS
PUBLIC EMPLOYEE PENSION PLAN OF TCRS - STABILIZATION TRUST
Last Fiscal Year Ended June 30

	2024	2025
Contractually Required Contribution	\$ 353,398	437,793
Contributions in relation to the		
Contractually Required Contribution	353,398	437,793
Contribution Deficiency (Excess)	\$ -	-
 Covered Payroll	 \$ 43,953,807	 51,760,017
Contributions as a Percentage of		
Covered Payroll	0.80%	0.85%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF JOHNSON CITY SCHOOLS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 TEACHER LEGACY PENSION PLAN OF TCRS
 Last Fiscal Year Ended June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Proportion of the Net Pension Liability (Asset)	0.854321%	0.885149%	0.910234%	0.903097%	0.951120%	0.957665%	0.984528%	0.991035%	1.063206%	1.067731%
Proportionate Share of the Net Pension Liability (Asset)	\$ 349,959	5,531,694	(297,812)	(3,177,921)	(9,779,223)	(7,302,904)	(42,465,052)	(12,154,108)	(12,534,926)	(18,395,520)
Covered Payroll	\$ 31,981,537	31,952,106	32,175,829	31,623,553	31,892,411	31,873,560	33,031,524	33,179,974	34,501,580	35,361,609
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	1.09%	17.31%	(0.93)%	(10.05)%	(30.66)%	(22.91)%	(131.40)%	-36.63%	-36.33%	-52.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.81%	97.14%	100.14%	101.49%	104.28%	103.09%	116.13%	104.42%	104.11%	105.76%

**CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF JOHNSON CITY SCHOOLS' CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN OF TCRS
Last Fiscal Year Ended June 30**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually Required Contribution	\$ 2,888,471	2,908,739	2,871,415	3,335,946	3,387,769	3,318,636	3,359,278	2,998,185	2,407,768	2,264,939
Contributions in relation to the Contractually Required Contribution	<u>2,888,471</u>	<u>2,908,739</u>	<u>2,871,415</u>	<u>3,335,946</u>	<u>3,387,769</u>	<u>3,318,636</u>	<u>3,359,278</u>	<u>2,998,185</u>	<u>2,407,768</u>	<u>2,264,939</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 31,952,106	32,175,829	31,623,553	31,892,411	31,873,560	33,031,524	33,179,974	34,501,580	35,361,609	35,612,196
Contributions as a Percentage of Covered Payroll	9.04%	9.04%	9.08%	10.46%	10.63%	10.05%	10.12%	8.69%	6.81%	6.36%

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF JOHNSON CITY SCHOOLS' PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN OF TCRS
Last Fiscal Year Ended June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Proportion of the Net Pension Liability (Asset)	0.452832%	0.577005%	0.607724%	0.623820%	0.616697%	0.581549%	0.592153%	0.591041%	0.635859%	0.652896%
Proportionate Share of the Net Pension Liability (Asset)	\$ (18,217)	\$ (60,068)	\$ (160,341)	\$ (282,920)	\$ (348,117)	\$ (330,693)	\$ (641,427)	\$ (179,041)	\$ (269,626)	\$ (465,259)
Covered Payroll	\$ 940,871	\$ 2,538,856	\$ 3,989,233	\$ 5,451,440	\$ 6,525,893	\$ 7,338,673	\$ 8,410,610	\$ 10,093,347	\$ 12,647,503	\$ 15,337,482
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	-1.94%	-2.37%	-4.02%	-5.19%	-5.33%	-4.51%	-7.63%	-1.77%	-2.13%	-3.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	127.46%	121.88%	126.81%	126.97%	123.07%	116.52%	121.53%	104.55%	104.97%	106.49%

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF JOHNSON CITY SCHOOLS' CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS
Last Fiscal Year Ended June 30**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually Required Contribution	\$ 101,556	159,549	88,899	126,603	146,998	172,631	202,874	362,984	452,457	477,414
Contributions in relation to the										
Contractually Required Contribution	<u>101,556</u>	<u>159,549</u>	<u>218,057</u>	<u>126,603</u>	<u>146,998</u>	<u>172,631</u>	<u>202,874</u>	<u>362,984</u>	<u>452,457</u>	<u>477,414</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>(129,158)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 2,538,856	3,989,233	5,451,440	6,525,893	7,338,673	8,410,610	10,093,347	12,647,503	15,337,482	15,959,244
Contributions as a Percentage of										
Covered Payroll	4.00%	4.00%	4.00%	1.94%	2.00%	2.05%	2.01%	2.87%	2.95%	2.99%

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

**CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF JOHNSON CITY SCHOOLS' CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS - STABILIZATION TRUST
Last Fiscal Year Ended June 30**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually Required Contribution	\$ 126,567	137,686	162,724	178,568	129,884	247,517	266,840
Contributions in relation to the							
Contractually Required Contribution	<u>126,567</u>	<u>137,686</u>	<u>162,724</u>	<u>178,568</u>	<u>129,884</u>	<u>247,517</u>	<u>266,840</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 6,525,893	7,338,773	8,546,043	10,093,347	12,647,503	23,511,273	25,522,231
Contributions as a Percentage of							
Covered Payroll	1.94%	1.88%	1.90%	1.77%	1.03%	1.05%	1.05%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN JOHNSON CITY'S OPEB LIABILITY
AND RELATED RATIOS
Last Fiscal Year Ended June 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total OPEB Liability								
Service Cost	\$ 783,156	786,206	918,964	1,239,276	865,112	702,879	483,092	495,896
Interest	791,621	849,199	821,804	584,728	447,659	667,860	624,368	622,501
Difference between Expected and Actual Experience	-	(332,984)	-	(3,274,044)	8,366	2,634,560	(13,862)	(52,161)
Changes in Assumptions	(467,714)	1,384,675	2,291,710	(2,509,227)	(1,585,023)	(4,960,325)	(98,840)	1,418,638
Benefit Payments	<u>(1,321,573)</u>	<u>(1,237,070)</u>	<u>(1,328,655)</u>	<u>(1,420,563)</u>	<u>(1,379,131)</u>	<u>(1,486,413)</u>	<u>(1,545,499)</u>	<u>(1,460,088)</u>
Net Change in Total OPEB Liability	<u>(214,510)</u>	<u>1,450,026</u>	<u>2,703,823</u>	<u>(5,379,830)</u>	<u>(1,643,017)</u>	<u>(2,441,439)</u>	<u>(550,741)</u>	<u>1,024,786</u>
Total OPEB Liability - Beginning	<u>21,989,958</u>	<u>21,775,448</u>	<u>23,225,474</u>	<u>25,929,297</u>	<u>20,549,467</u>	<u>18,906,450</u>	<u>16,465,011</u>	<u>15,914,270</u>
Total OPEB Liability - Ending	<u>\$ 21,775,448</u>	<u>23,225,474</u>	<u>25,929,297</u>	<u>20,549,467</u>	<u>18,906,450</u>	<u>16,465,011</u>	<u>15,914,270</u>	<u>16,939,056</u>
Covered-Employee Payroll	\$ 33,000,000	37,400,000	38,900,000	39,600,000	41,000,000	52,100,000	55,000,000	59,500,000
Total OPEB Liability as a Percentage of Covered-Employee Payroll	65.99%	62.10%	66.66%	51.89%	46.11%	31.60%	28.94%	28.47%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits.

Changes in Assumptions

In fiscal year 2025, discount rates changes from 3.97 percent at June 30, 2024 to 5.20 percent at June 30, 2025.

GASB 75 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 75. The information in this schedule is not required to be presented retroactively prior to the implementation date. Fiscal years will be added to this schedule in future fiscal years until 10 fiscal years of information is available.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN JOHNSON CITY SCHOOLS PROPORTIONATE SHARE OF
COLLECTIVE OPEB LIABILITY AND RELATED RATIOS - TEACHER GROUP OPEB PLAN
Last Fiscal Year Ended June 30

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total OPEB Liability			
Service Cost	\$ 457	1,085,040	949,447
Interest	159	838,887	808,131
Difference between Expected and Actual Experience	-	(4,000,143)	2,723,935
Change in benefit terms	23,175,873	-	-
Changes in Assumptions	-	1,683,572	349,852
Benefit Payments	-	(1,152,153)	(903,011)
Net Change in Total OPEB Liability	<u>23,176,489</u>	<u>(1,544,797)</u>	<u>3,928,354</u>
Total OPEB Liability - Beginning	<u>6,899</u>	<u>23,183,388</u>	<u>21,638,591</u>
Total OPEB Liability - Ending	<u>\$ 23,183,388</u>	<u>21,638,591</u>	<u>25,566,945</u>
Nonemployer Contributing Entities Proportionate Share of the Collective Total OPEB Liability	\$ 5,587,822	6,489,152	7,137,165
Employer's Proportionate Share of the Collective Total OPEB Liability	\$ 17,595,566	15,149,439	18,429,780
Covered-Employee Payroll	\$ 55,558,709	62,582,747	64,968,312
Total OPEB Liability as a Percentage of Covered-Employee Payroll	31.67%	24.21%	28.37%

Notes to Schedule:

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN JOHNSON CITY SCHOOLS PROPORTIONATE SHARE OF
COLLECTIVE OPEB LIABILITY AND RELATED RATIOS - CLOSED TENNESSEE PLAN
Last Fiscal Year Ended June 30

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total OPEB Liability			
Service Cost	\$ -	29,182	27,545
Interest	-	35,877	38,640
Difference between Expected and Actual Experience	-	10,852	22,481
Change in benefit terms	990,129	-	-
Changes in Assumptions	-	(16,063)	(48,452)
Benefit Payments	-	(11,779)	(14,360)
Net Change in Total OPEB Liability	<u>990,129</u>	<u>48,069</u>	<u>25,854</u>
Total OPEB Liability - Beginning	-	990,129	1,038,198
Total OPEB Liability - Ending	<u>\$ 990,129</u>	<u>1,038,198</u>	<u>1,064,052</u>
Nonemployer Contributing Entities Proportionate Share of the Collective Total OPEB Liability	\$ 990,129	1,038,198	1,064,052
Employer's Proportionate Share of the Collective Total OPEB Liability	\$ -	-	-
Covered-Employee Payroll	\$ 33,268,083	33,886,483	33,654,477
Total OPEB Liability as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

Notes to Schedule:

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

See Independent Auditors' Report.

OTHER MAJOR GOVERNMENTAL FUNDS

Debt Service Fund accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt other than that payable from enterprise funds and the general obligation debt used to construct educational facilities.

Educational Facilities Debt Service Fund accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt for the construction of educational facilities.

The **Capital Project Fund** is used to account for the acquisition and construction of major capital facilities, equipment, and infrastructure other than those financed by proprietary funds.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental Revenue	\$ -	-	133,922	133,922
Investment Earnings	-	-	65,311	65,311
Total Revenues	-	-	199,233	199,233
Expenditures				
Debt Service				
Principal Retirement	6,724,997	6,724,997	6,724,997	-
Interest and Fiscal Charges	4,710,371	4,710,371	3,929,501	780,870
Other Fees	-	-	35,604	(35,604)
Total Debt Service	11,435,368	11,435,368	10,690,102	745,266
Total Expenditures	11,435,368	11,435,368	10,690,102	745,266
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,435,368)	(11,435,368)	(10,490,869)	944,499
Other Financing Sources (Uses)				
Transfer In	11,435,368	11,435,368	10,414,323	(1,021,045)
Total Other Financing Sources (Uses)	11,435,368	11,435,368	10,414,323	(1,021,045)
Net Change in Fund Balance	-	-	(76,546)	(76,546)
Fund Balance, July 1, 2024	76,546	76,546	76,546	-
Fund Balance, June 30, 2025	\$ 76,546	76,546	-	(76,546)

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
EDUCATIONAL FACILITIES DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,342,000	3,342,000	3,516,598	174,598
Intergovernmental Revenues	-	-	500,000	500,000
Investment Earnings	38,000	38,000	51,806	13,806
Total Revenues	3,380,000	3,380,000	4,068,404	688,404
Expenditures				
Debt Service				
Principal Retirement	3,535,000	3,535,000	3,535,000	-
Interest and Fiscal Charges	1,179,250	1,372,322	1,329,132	43,190
Other Fees	50,000	50,000	54,452	(4,452)
Total Debt Service	4,764,250	4,957,322	4,918,584	38,738
Total Expenditures	4,764,250	4,957,322	4,918,584	38,738
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,384,250)	(1,577,322)	(850,180)	727,142
Other Financing Sources (Uses)				
Transfer In	1,900,000	1,900,000	2,074,015	174,015
Transfer Out	-	(6,350,209)	(6,374,016)	(23,807)
Total Other Financing Sources (Uses)	1,900,000	(4,450,209)	(4,300,001)	150,208
Net Change in Fund Balance	515,750	(6,027,531)	(5,150,181)	877,350
Fund Balance, July 1, 2024	8,909,780	8,909,780	8,909,780	-
Fund Balance, June 30, 2025	<u>\$ 9,425,530</u>	<u>2,882,249</u>	<u>3,759,599</u>	<u>877,350</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECT FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 9,385,000	8,918,744	3,990,109	(4,928,635)
State of Tennessee	1,000,000	1,100,000	239,086	(860,914)
Investment Earnings	-	-	1,703,656	1,703,656
Miscellaneous	-	-	1,027,070	1,027,070
Total Revenues	10,385,000	10,018,744	6,959,921	(3,058,823)
Expenditures				
Capital Outlay	30,236,455	38,746,973	23,858,765	14,888,208
Debt Service				
Principal Retirement	-	-	331,889	(331,889)
Interest and Fiscal Charges	-	-	67,419	(67,419)
Total Debt Service	-	-	399,308	(399,308)
Total Expenditures	30,236,455	38,746,973	24,258,073	14,488,900
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,851,455)	(28,728,229)	(17,298,152)	11,430,077
Other Financing Sources (Uses)				
Transfer In	5,401,455	12,448,864	11,829,466	(619,398)
Transfer Out	-	697,200	-	(697,200)
Bond Issuance	40,000,000	40,000,000	-	(40,000,000)
Total Other Financing Sources (Uses)	45,401,455	53,146,064	11,829,466	(41,316,598)
Net Change in Fund Balance	25,550,000	24,417,835	(5,468,686)	(29,886,521)
Fund Balances, July 1, 2024	17,323,358	17,323,358	17,323,358	-
Fund Balances, June 30, 2025	\$ 42,873,358	41,741,193	11,854,672	(29,886,521)

See Independent Auditors' Report.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Freedom Hall Civic Center Fund is used to account for the revenues generated from the Civic Center's operations. Fee revenues are supplemented by the General Fund to the extent of the Center's cost.

School Federal Projects Fund accounts for all revenues received under this law.

Special School Projects Fund accounts for all revenues received for various special projects for the schools.

School Food Service Fund accounts for the revenues and expenditures of school cafeterias.

Internal School Fund accounts for the revenues and expenditures of the schools.

Transportation Planning Fund is used to account for special state and federal transportation planning projects through state and federal revenues.

Drug Fund accounts for drug fines awarded by court action.

Police Grant and Technology Fund accounts for all the police grants from the federal, state and local governments and for fees provided by moving violations to fund safety equipment and technology for the police department.

Community Development Fund accounts for Housing and Urban Development Funds.

Senior Citizens Fund accounts for contributions and fundraising for the Senior Citizens Center.

Employee Scholarship Fund accounts for donations from City employees to fund scholarships for the children of City employees who are entering college.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2025

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant and Technology Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
ASSETS									
Cash and Cash Equivalents	\$ 315,230	4,650,849	(2,296)	992,420	232,101	13,218	327,921	25,617	6,555,060
Accounts Receivable (Net)	7,461	39,304	-	-	610	-	-	-	47,375
Notes Receivable	-	-	-	-	-	3,260	-	-	3,260
Due from Other Funds	-	50	-	-	-	-	-	-	50
Due from Federal Government	-	-	126,460	-	158,391	245,839	-	-	530,690
Due from State of Tennessee	-	2,063,516	-	-	-	39,857	-	-	2,103,373
Due from Local Governments	-	-	-	5,156	-	-	-	-	5,156
Inventories	-	157,243	-	-	-	-	-	-	157,243
Restricted Investments	-	26,598	-	-	-	-	-	-	26,598
Other Assets	-	5,727	-	-	-	-	-	-	5,727
Total Assets	\$ 322,691	6,943,287	124,164	997,576	391,102	302,174	327,921	25,617	9,434,532
LIABILITIES									
Accounts Payable	\$ 92,721	174,464	34,415	10,074	73,200	190,035	440	2,100	577,449
Accrued Payroll Expenditures	24,936	778,603	10,822	-	3,844	3,047	-	-	821,252
Compensated Absences Payable	1,171	-	3,872	-	394	1,118	-	-	6,555
Due to Other Funds	10,039	3,893	-	-	-	-	-	-	13,932
Unearned Revenue	166,719	-	-	125,627	-	3,260	-	-	295,606
Total Liabilities	295,586	956,960	49,109	135,701	77,438	197,460	440	2,100	1,714,794
FUND BALANCES									
Nonspendable	-	157,245	-	-	-	-	-	-	157,245
Restricted	-	5,695,355	-	861,875	306,881	98,250	327,481	23,517	7,313,359
Assigned	27,105	133,727	75,055	-	6,783	6,464	-	-	249,134
Total Fund Balances	27,105	5,986,327	75,055	861,875	313,664	104,714	327,481	23,517	7,719,738
Total Liabilities and Fund Balances	\$ 322,691	6,943,287	124,164	997,576	391,102	302,174	327,921	25,617	9,434,532

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant and Technology Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
Revenues									
Federal Government	\$ -	9,278,168	348,552	-	655,234	605,374	-	-	10,887,328
State of Tennessee	-	1,803,022	-	-	-	134,375	-	-	1,937,397
Charges for Services	-	462,475	-	-	-	-	-	-	462,475
Fines and Forfeitures	-	-	-	14,343	190,846	-	-	-	205,189
Revenue from Use of Property	1,231,430	-	-	-	-	-	-	-	1,231,430
Investment Earnings	-	4,001	-	-	-	-	-	-	4,001
Miscellaneous	318,100	2,547,075	-	145,257	(15,899)	32,251	(1,164)	5,739	3,031,359
Total Revenues	1,549,530	14,094,741	348,552	159,600	830,181	772,000	(1,164)	5,739	17,759,179
Expenditures									
Current									
Public Safety	-	-	-	170,852	755,073	-	-	-	925,925
Public Welfare	-	-	-	-	-	773,119	-	-	773,119
Senior Citizens	-	-	-	-	-	-	17,340	-	17,340
Parks, Recreation, Culture and Leisure	2,168,114	-	-	-	-	-	-	-	2,168,114
Highway and Transportation Planning	-	-	414,009	-	-	-	-	-	414,009
Education	-	8,778,504	-	-	-	-	-	-	8,778,504
School Food Service	-	4,441,366	-	-	-	-	-	-	4,441,366
Miscellaneous	-	-	-	-	-	-	-	2,100	2,100
Capital Outlay	-	593,342	-	191,326	63,740	-	-	-	848,408
Debt Service									
Principal	-	346,664	-	-	-	-	-	-	346,664
Interest	-	4,083	-	-	-	-	-	-	4,083
Total Expenditures	2,168,114	14,163,959	414,009	362,178	818,813	773,119	17,340	2,100	18,719,632

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant and Technology Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	(618,584)	(69,218)	(65,457)	(202,578)	11,368	(1,119)	(18,504)	3,639	(960,453)
Other Financing Sources (Uses)									
Transfers In	609,000	257,863	73,973	-	-	-	-	-	940,836
Transfers Out	-	-	-	-	-	(85,540)	-	-	(85,540)
Total Other Financing Sources (Uses)	609,000	257,863	73,973	-	-	(85,540)	-	-	855,296
Net Change in Fund Balances	(9,584)	188,645	8,516	(202,578)	11,368	(86,659)	(18,504)	3,639	(105,157)
Fund Balances, July 1, 2024	36,689	5,846,867	66,539	1,064,453	302,296	191,373	345,985	19,878	7,874,080
Purchase Method Inventory Adjustment	-	(49,185)	-	-	-	-	-	-	(49,185)
Fund Balances, July 1, 2024 Adjusted	36,689	5,797,682	66,539	1,064,453	302,296	191,373	345,985	19,878	7,824,895
Fund Balances, June 30, 2025	\$ 27,105	5,986,327	75,055	861,875	313,664	104,714	327,481	23,517	7,719,738

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SCHOOL FUNDS
June 30, 2025

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	Internal School Fund	Total School Funds
ASSETS					
Cash and Cash Equivalents	\$ 135,412	77	2,946,646	1,568,714	4,650,849
Accounts Receivable	-	-	-	39,304	39,304
Due from Other Funds	-	-	-	50	50
Due from State of Tennessee	411,162	843,186	809,168	-	2,063,516
Inventories	-	-	157,243	-	157,243
Restricted Investments	-	-	26,598	-	26,598
Other Assets	-	-	-	5,727	5,727
Total Assets	\$ 546,574	843,263	3,939,655	1,613,795	6,943,287
LIABILITIES					
Accounts Payable	\$ 18,403	143,665	1,990	10,406	174,464
Accrued Payroll Expenditures	332,237	446,366	-	-	778,603
Due to Other Funds	-	-	3,242	651	3,893
Total Liabilities	350,640	590,031	5,232	11,057	956,960
FUND BALANCES					
Nonspendable	-	-	157,245	-	157,245
Restricted	195,934	253,232	3,643,451	1,602,738	5,695,355
Assigned	-	-	133,727	-	133,727
Total Fund Balances	195,934	253,232	3,934,423	1,602,738	5,986,327
Total Liabilities and Fund Balances	\$ 546,574	843,263	3,939,655	1,613,795	6,943,287

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
SCHOOL FUNDS
For the Fiscal Year Ended June 30, 2025

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	Internal School Fund	Total School Funds
Revenues					
Federal Government	\$ 5,498,099	-	3,780,069	-	9,278,168
State of Tennessee	-	1,773,071	29,951	-	1,803,022
Charges for Services	-	-	462,475	-	462,475
Investment Earnings	-	-	4,001	-	4,001
Miscellaneous	-	-	76,071	2,471,004	2,547,075
Total Revenues	5,498,099	1,773,071	4,352,567	2,471,004	14,094,741
Expenditures					
Current					
Education	5,253,099	1,197,199	-	2,328,206	8,778,504
School Food Service	-	-	4,441,366	-	4,441,366
Capital Outlay	127,740	434,526	31,076	-	593,342
Debt Service					
Principal	165,964	180,700	-	-	346,664
Interest	4,083	-	-	-	4,083
Total Expenditures	5,550,886	1,812,425	4,472,442	2,328,206	14,163,959
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,787)	(39,354)	(119,875)	142,798	(69,218)
Other Financing Sources (Uses)					
Transfers In	-	257,863	-	-	257,863
Total Other Financing Sources (Uses)	-	257,863	-	-	257,863
Net Change in Fund Balances	(52,787)	218,509	(119,875)	142,798	188,645
Fund Balances, July 1, 2024	248,721	34,723	4,103,483	1,459,940	5,846,867
Purchase Method Inventory Adjustment	-	-	(49,185)	-	(49,185)
Fund Balances, July 1, 2024 Adjusted	248,721	34,723	4,054,298	1,459,940	5,797,682
Fund Balances, June 30, 2025	\$ 195,934	253,232	3,934,423	1,602,738	5,986,327

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FREEDOM HALL CIVIC CENTER FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Revenue from Use of Property	\$ 1,524,000	1,330,900	1,231,430	(99,470)
Miscellaneous	276,000	91,000	318,100	227,100
Total Revenues	1,800,000	1,421,900	1,549,530	127,630
Expenditures				
Parks, Recreation, Culture and Leisure				
Building Materials	12,850	12,850	29,360	(16,510)
Fixed Charges	98,223	98,223	98,094	129
Other	600	600	18	582
Personnel Services	552,411	592,411	575,354	17,057
Purchased Services	1,231,400	1,418,600	1,369,148	49,452
Supplies	68,100	68,100	96,140	(28,040)
Total Parks, Recreation, Culture and Leisure	1,963,584	2,190,784	2,168,114	22,670
Total Expenditures	1,963,584	2,190,784	2,168,114	22,670
Excess (Deficiency) of Revenues Over (Under) Expenditures	(163,584)	(768,884)	(618,584)	150,300
Other Financing Sources (Uses)				
Transfer In	186,000	791,300	609,000	(182,300)
Total Other Financing Sources (Uses)	186,000	791,300	609,000	(182,300)
Net Change in Fund Balance	22,416	22,416	(9,584)	(32,000)
Fund Balance, July 1, 2024	36,689	36,689	36,689	-
Fund Balance, June 30, 2025	\$ 59,105	59,105	27,105	(32,000)

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 5,770,767	6,765,504	5,498,099	(1,267,405)
Total Revenues	5,770,767	6,765,504	5,498,099	(1,267,405)
Expenditures				
Education				
Other	173,464	290,592	127,390	163,202
Personnel Services	5,234,521	5,779,583	4,829,430	950,153
Purchased Services	30,332	58,296	38,070	20,226
Supplies	193,039	526,018	258,209	267,809
Total Education	5,631,356	6,654,489	5,253,099	1,401,390
Capital Outlay	146,693	146,202	127,740	18,462
Debt Service				
Principal	-	-	165,964	(165,964)
Interest	-	-	4,083	(4,083)
Total Debt Service	-	-	170,047	(170,047)
Total Expenditures	5,778,049	6,800,691	5,550,886	1,249,805
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,282)	(35,187)	(52,787)	(17,600)
Other Financing Sources (Uses)				
Transfer In	26,000	58,722	-	(58,722)
Transfer Out	(18,718)	(23,535)	-	23,535
Total Other Financing Sources (Uses)	7,282	35,187	-	(35,187)
Net Change in Fund Balance	-	-	(52,787)	(52,787)
Fund Balance, July 1, 2024	248,721	248,721	248,721	-
Fund Balance, June 30, 2025	\$ 248,721	248,721	195,934	(52,787)

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL SCHOOL PROJECTS FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
State of Tennessee	\$ 2,593,083	3,034,236	1,773,071	(1,261,165)
Total Revenues	2,593,083	3,034,236	1,773,071	(1,261,165)
Expenditures				
Education				
Other	-	44,654	26,003	18,651
Personnel Services	1,306,662	1,418,064	995,482	422,582
Purchased Services	79,796	147,622	75,557	72,065
Supplies	487,077	306,923	100,157	206,766
Total Education	1,873,535	1,917,263	1,197,199	720,064
Capital Outlay	739,087	1,014,257	434,526	579,731
Debt Service				
Principal	-	-	180,700	(180,700)
Total Debt Service	-	-	180,700	(180,700)
Total Expenditures	2,612,622	2,931,520	1,812,425	1,119,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,539)	102,716	(39,354)	(142,070)
Other Financing Sources (Uses)				
Transfer In	19,539	77,984	257,863	179,879
Total Other Financing Sources (Uses)	19,539	77,984	257,863	179,879
Net Change in Fund Balance	-	180,700	218,509	37,809
Fund Balance, July 1, 2024	34,723	34,723	34,723	-
Fund Balance, June 30, 2025	\$ 34,723	215,423	253,232	37,809

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 3,399,580	3,714,580	3,780,069	65,489
State of Tennessee	30,000	30,000	29,951	(49)
Charges for Services	673,000	460,000	462,475	2,475
Investment Earnings	1,000	1,000	4,001	3,001
Miscellaneous	40,000	40,000	76,071	36,071
Total Revenues	4,143,580	4,245,580	4,352,567	106,987
Expenditures				
School Food Service				
Other	189,000	194,000	72,372	121,628
Personnel Services	1,843,750	1,949,420	1,887,021	62,399
Purchased Services	380,000	485,000	477,736	7,264
Supplies	1,538,580	2,078,580	2,004,237	74,343
Total School Food Service	3,951,330	4,707,000	4,441,366	265,634
Capital Outlay	192,250	92,250	31,076	61,174
Total Expenditures	4,143,580	4,799,250	4,472,442	326,808
Net Change in Fund Balance	-	(553,670)	(119,875)	433,795
Fund Balance, July 1, 2024	4,103,483	4,103,483	4,103,483	-
Purchase Method Inventory Adjustment	-	-	(49,185)	(49,185)
Fund Balance, July 1, 2024 Adjusted	4,103,483	4,103,483	4,054,298	(49,185)
Fund Balance, June 30, 2025	\$ 4,103,483	3,549,813	3,934,423	384,610

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
TRANSPORTATION PLANNING FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 427,040	427,040	348,552	(78,488)
Total Revenues	<u>427,040</u>	<u>427,040</u>	<u>348,552</u>	<u>(78,488)</u>
Expenditures				
Highway and Transportation Planning				
Fixed Charges	7,620	7,620	8,106	(486)
Personnel Services	312,080	312,080	313,447	(1,367)
Purchased Services	180,065	180,065	91,589	88,476
Supplies	4,400	4,400	867	3,533
Total Highway and Transportation Planning	<u>504,165</u>	<u>504,165</u>	<u>414,009</u>	<u>90,156</u>
Total Expenditures	<u>504,165</u>	<u>504,165</u>	<u>414,009</u>	<u>90,156</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(77,125)</u>	<u>(77,125)</u>	<u>(65,457)</u>	<u>11,668</u>
Other Financing Sources (Uses)				
Transfer In	<u>77,125</u>	<u>77,125</u>	<u>73,973</u>	<u>(3,152)</u>
Total Other Financing Sources (Uses)	<u>77,125</u>	<u>77,125</u>	<u>73,973</u>	<u>(3,152)</u>
Net Change in Fund Balance	-	-	8,516	8,516
Fund Balance, July 1, 2024	<u>66,539</u>	<u>66,539</u>	<u>66,539</u>	<u>-</u>
Fund Balance, June 30, 2025	<u>\$ 66,539</u>	<u>66,539</u>	<u>75,055</u>	<u>8,516</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DRUG FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 30,000	30,000	14,343	(15,657)
Miscellaneous	238,395	238,395	145,257	(93,138)
Total Revenues	268,395	268,395	159,600	(108,795)
Expenditures				
Public Safety				
Fixed Charges	30,000	30,000	44,850	(14,850)
Other	30,000	30,000	39,750	(9,750)
Purchased Services	6,000	6,000	3,190	2,810
Supplies	20,000	132,711	83,062	49,649
Total Public Safety	86,000	198,711	170,852	27,859
Capital Outlay	182,395	182,395	191,326	(8,931)
Total Expenditures	268,395	381,106	362,178	18,928
Net Change in Fund Balance	-	(112,711)	(202,578)	(89,867)
Fund Balance, July 1, 2024	1,064,453	1,064,453	1,064,453	-
Fund Balance, June 30, 2025	<u>\$ 1,064,453</u>	<u>951,742</u>	<u>861,875</u>	<u>(89,867)</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
POLICE GRANT AND TECHNOLOGY FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 677,275	677,275	655,234	(22,041)
Fines and Forfeitures	210,000	210,000	190,846	(19,154)
Refunds and Reimbursements	-	-	(15,899)	(15,899)
Total Revenues	887,275	887,275	830,181	(57,094)
Expenditures				
Public Safety				
Fixed Charges	157,250	157,250	-	157,250
Personnel Services	238,000	238,000	252,265	(14,265)
Purchased Services	90,000	90,000	45,180	44,820
Supplies	276,100	276,100	457,628	(181,528)
Total Public Safety	761,350	761,350	755,073	6,277
Capital Outlay	103,175	103,175	63,740	39,435
Total Expenditures	864,525	864,525	818,813	45,712
Net Change in Fund Balance	22,750	22,750	11,368	(11,382)
Fund Balance, July 1, 2024	302,296	302,296	302,296	-
Fund Balance, June 30, 2025	\$ 325,046	325,046	313,664	(11,382)

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 615,512	615,512	605,374	(10,138)
State of Tennessee	134,375	134,375	134,375	-
Miscellaneous	-	-	32,251	32,251
Total Revenues	749,887	749,887	772,000	22,113
Expenditures				
Public Welfare				
Personnel Services	98,699	98,699	89,757	8,942
Other	492,410	492,410	523,536	(31,126)
Purchased Services	33,778	33,778	34,826	(1,048)
Special Appropriations	125,000	125,000	125,000	-
Total Public Welfare	749,887	749,887	773,119	(23,232)
Total Expenditures	749,887	749,887	773,119	(23,232)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(1,119)	(1,119)
Other Financing Sources (Uses)				
Transfer Out	-	-	(85,540)	(85,540)
Total Other Financing Sources (Uses)	-	-	(85,540)	(85,540)
Net Change in Fund Balance	-	-	(86,659)	(86,659)
Fund Balance, July 1, 2024	191,373	191,373	191,373	-
Fund Balance, June 30, 2025	\$ 191,373	191,373	104,714	(86,659)

See Independent Auditors' Report.

NONMAJOR PROPRIETARY FUNDS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business, where the intent of the City is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the determination of net income is an important measurement of performance.

Regional Solid Waste Fund accounts for the activities of the City's regional residential garbage, refuse collection and recycling activities.

Mass Transit Fund accounts for the activities funded by federal grants from the Federal Transportation Administration and state grants provided from federal funds for support of local government transportation programs.

Stormwater Management Fund accounts for the activities of the City's stormwater and drainage management system.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2025

	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 4,206,855	541,722	7,254,627	12,003,204
Accounts Receivable (Net)	99,846	1,720	156,859	258,425
Due from Federal Government	-	1,001,180	-	1,001,180
Due from State of Tennessee	-	928,893	-	928,893
Total Current Assets	4,306,701	2,473,515	7,411,486	14,191,702
Capital Assets				
Land	-	205,990	5,254,633	5,460,623
Buildings and Improvements	179,207	3,271,808	10,614,764	14,065,779
Equipment and Vehicles	4,852,733	8,079,980	2,766,664	15,699,377
Less: Accumulated Depreciation	(3,714,484)	(6,763,040)	(4,085,301)	(14,562,825)
Construction in Progress	-	-	6,885,098	6,885,098
Net Capital Assets	1,317,456	4,794,738	21,435,858	27,548,052
Total Assets	5,624,157	7,268,253	28,847,344	41,739,754
DEFERRED OUTFLOWS OF RESOURCES				
Pension Contributions After Measurement Date	60,886	172,510	6,058	239,454
Pension Changes in Experience	92,938	195,345	39,848	328,131
Pension Changes in Assumptions	-	-	397	397
Total Deferred Outflows of Resources	153,824	367,855	46,303	567,982
LIABILITIES				
Current Liabilities				
Accounts Payable	85,927	14,242	1,153,300	1,253,469
Accrued Payroll Expenses	43,612	116,581	21,078	181,271
Accrued Expenses	759	-	-	759
Accrued Interest Payable	-	-	75,964	75,964
Due to Other Funds	-	-	1,450	1,450
Customer Deposits	33,998	-	10,139	44,137
Retainages Payable	-	-	99,480	99,480
Compensated Absences - Current Portion	35,396	56,509	20,589	112,494
Notes and Bonds Payable - Current Portion	-	-	478,000	478,000
Total Current Liabilities	199,692	187,332	1,860,000	2,247,024

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2025

	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
LIABILITIES (CONTINUED)				
Noncurrent Liabilities				
Compensated Absences Payable	72,154	205,837	27,994	305,985
Net Pension Liability	115,918	221,789	42,681	380,388
Notes and Bonds Payable (Net)	-	-	7,825,328	7,825,328
Total Noncurrent Liabilities	<u>188,072</u>	<u>427,626</u>	<u>7,896,003</u>	<u>8,511,701</u>
Total Liabilities	<u>387,764</u>	<u>614,958</u>	<u>9,756,003</u>	<u>10,758,725</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Changes in Assumptions	37,176	71,775	-	108,951
Pension Changes in Investment Earnings (Net)	35,173	203,819	9,095	248,087
Total Deferred Inflows of Resources	<u>72,349</u>	<u>275,594</u>	<u>9,095</u>	<u>357,038</u>
NET POSITION				
Net Investment in Capital Assets	1,317,456	4,794,738	13,033,050	19,145,244
Unrestricted	4,000,412	1,950,818	6,095,499	12,046,729
Total Net Position	<u>\$ 5,317,868</u>	<u>6,745,556</u>	<u>19,128,549</u>	<u>31,191,973</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Operating Revenues				
Charges for Services (Net)	\$ 4,476,734	401,124	3,401,494	8,279,352
Other Revenue	-	19,703	17,344	37,047
Total Operating Revenues	<u>4,476,734</u>	<u>420,827</u>	<u>3,418,838</u>	<u>8,316,399</u>
Operating Expenses				
Administration	453,416	-	273,929	727,345
Personnel Services	1,443,239	3,798,988	621,622	5,863,849
Contractual Services	1,043,273	103,395	47,009	1,193,677
Materials and Supplies	127,519	192,962	249,171	569,652
Repairs and Maintenance	883,552	537,466	271,178	1,692,196
Other Operating Expenses	2,682	93,010	34,094	129,786
Depreciation and Amortization	331,558	619,773	413,800	1,365,131
Total Operating Expenses	<u>4,285,239</u>	<u>5,345,594</u>	<u>1,910,803</u>	<u>11,541,636</u>
Operating Income (Loss)	<u>191,495</u>	<u>(4,924,767)</u>	<u>1,508,035</u>	<u>(3,225,237)</u>
Nonoperating Revenues (Expenses)				
Operating Grants	-	3,585,011	-	3,585,011
Interest Expenses and Commissions	-	-	(249,324)	(249,324)
Gain (Loss) on Sale of Capital Assets	-	2,525	-	2,525
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>3,587,536</u>	<u>(249,324)</u>	<u>3,338,212</u>
Income (Loss) Before Transfers and Capital Contributions	<u>191,495</u>	<u>(1,337,231)</u>	<u>1,258,711</u>	<u>112,975</u>
Transfers and Capital Contributions				
Transfers In	-	1,170,355	-	1,170,355
Transfers Out	-	(1,893,681)	-	(1,893,681)
Federal Capital Grant Revenue	-	341,807	-	341,807
State Capital Grant Revenue	-	42,726	-	42,726
Total Transfers and Capital Contributions	<u>-</u>	<u>(338,793)</u>	<u>-</u>	<u>(338,793)</u>
Change in Net Position	191,495	(1,676,024)	1,258,711	(225,818)
Net Position, July 1, 2024	5,155,931	8,460,862	17,876,379	31,493,172
Restatement - GASB 101	(29,558)	(39,282)	(6,541)	(75,381)
Net Position, July 1, 2024 (Restated)	<u>5,126,373</u>	<u>8,421,580</u>	<u>17,869,838</u>	<u>31,417,791</u>
Net Position, June 30, 2025	<u>\$ 5,317,868</u>	<u>6,745,556</u>	<u>19,128,549</u>	<u>31,191,973</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 4,479,700	481,493	3,427,656	8,388,849
Payments to Employees	(1,405,427)	(3,615,488)	(579,401)	(5,600,316)
Payments to Suppliers	(1,215,208)	(478,491)	542,115	(1,151,584)
Payments for Interfund Services Used	(1,285,974)	(485,528)	(401,061)	(2,172,563)
Net Cash Provided by (Used for) Operating Activities	573,091	(4,098,014)	2,989,309	(535,614)
Cash Flows from Noncapital Financing Activities				
Transfers to Other Funds	-	(1,893,681)	-	(1,893,681)
Transfers from Other Funds	-	1,170,355	-	1,170,355
Operating Grants Received	-	4,645,275	-	4,645,275
Net Cash Provided by (Used for) Noncapital Financing Activities	-	3,921,949	-	3,921,949
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	-	(363,674)	(2,510,199)	(2,873,873)
Capital Grants Received	-	868,971	-	868,971
Principal Paid on Capital Debt	-	-	(465,000)	(465,000)
Interest Paid on Capital Debt	-	-	(307,974)	(307,974)
Proceeds from Sale of Capital Assets	-	2,525	-	2,525
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	507,822	(3,283,173)	(2,775,351)
Net Increase (Decrease) in Cash and Cash Equivalents	573,091	331,757	(293,864)	610,984
Cash and Cash Equivalents, July 1, 2024	3,633,764	209,965	7,548,491	11,392,220
Cash and Cash Equivalents, June 30, 2025	\$ 4,206,855	541,722	7,254,627	12,003,204

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 191,495	(4,924,767)	1,508,035	(3,225,237)
Adjustments:				
Depreciation and Amortization	331,558	619,773	413,800	1,365,131
Change in Retainage Payable	-	-	30,845	30,845
Change in Net Pension Liability (Asset)	(51,003)	(104,452)	(6,635)	(162,090)
Change in the Allowance for Uncollectible Receivables	-	-	2,740	2,740
(Increase) Decrease in Deferred Outflows Related to Pensions	71,864	42,006	(68,445)	45,425
Increase (Decrease) in Deferred Inflows Related to Pensions	35,173	203,819	105,792	344,784
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	1,659	60,666	6,069	68,394
Increase (Decrease) in Accounts Payable and Accrued Expenses	9,267	(37,186)	985,590	957,671
Increase (Decrease) in Accrued Payroll Expenses	1,327	5,311	1,719	8,357
Increase (Decrease) in Other Payables	(7)	-	1,450	1,443
Increase (Decrease) in Compensated Absences	(19,549)	36,816	8,340	25,607
Increase (Decrease) in Contractor Deposits	1,307	-	9	1,316
Net Cash Provided by (Used for) Operating Activities	<u>\$ 573,091</u>	<u>(4,098,014)</u>	<u>2,989,309</u>	<u>(535,614)</u>

Non-Cash Capital and Related Financing Activities

Stormwater Management Fund

- Amortization of Bond Premium totaling \$56,541 included in interest expense on the Combining Statement of Revenues, Expenses, and Changes in Net Position
- Change in Construction Related Retainages Payable of \$30,845

See Independent Auditors' Report.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to another department or agency on a cost-reimbursement basis.

Insurance Fund accounts for self-insured health and workers' compensation insurance.

Fleet Management Fund accounts for the maintenance and repair of the City's fleet of various motor vehicles.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2025

	Insurance Fund	Fleet Management Fund	Total Internal Service Funds
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 6,455,448	141,797	6,597,245
Accounts Receivable (Net)	493,655	1,200	494,855
Due from Other Funds	-	5,678	5,678
Inventories	-	634,006	634,006
Total Current Assets	<u>6,949,103</u>	<u>782,681</u>	<u>7,731,784</u>
Capital Assets			
Buildings and Improvements	-	962,840	962,840
Equipment and Vehicles	-	4,190,141	4,190,141
Less: Accumulated Depreciation	-	(2,642,395)	(2,642,395)
Net Capital Assets	<u>-</u>	<u>2,510,586</u>	<u>2,510,586</u>
Total Assets	<u>6,949,103</u>	<u>3,293,267</u>	<u>10,242,370</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Contributions After Measurement Date	21,496	183,007	204,503
Pension Changes in Experience	29,601	214,466	244,067
Pension Changes in Assumptions	5,254	-	5,254
Total Deferred Outflows of Resources	<u>56,351</u>	<u>397,473</u>	<u>453,824</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	293,350	395,611	688,961
Accrued Payroll Expenses	15,224	95,758	110,982
Accrued Expenses	5,362,614	-	5,362,614
Accrued Interest Payable	-	19,064	19,064
Compensated Absences - Current Portion	7,289	58,428	65,717
Notes and Bonds Payable - Current Portion	-	281,109	281,109
Total Current Liabilities	<u>5,678,477</u>	<u>849,970</u>	<u>6,528,447</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2025

	Insurance Fund	Fleet Management Fund	Total Internal Service Funds
LIABILITIES (CONTINUED)			
Noncurrent Liabilities			
Notes and Bonds Payable (Net)	-	884,518	884,518
Compensated Absences Payable	37,315	221,042	258,357
Net Pension Liability	14,010	252,243	266,253
Total Noncurrent Liabilities	<u>51,325</u>	<u>1,357,803</u>	<u>1,409,128</u>
Total Liabilities	<u>5,729,802</u>	<u>2,207,773</u>	<u>7,937,575</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Changes in Assumptions	-	71,478	71,478
Pension Changes in Investment Earnings (Net)	6,242	128,776	135,018
Total Deferred Inflows of Resources	<u>6,242</u>	<u>200,254</u>	<u>206,496</u>
NET POSITION			
Net Investment in Capital Assets	-	1,344,959	1,344,959
Unrestricted	1,269,410	(62,246)	1,207,164
Total Net Position	<u>\$ 1,269,410</u>	<u>1,282,713</u>	<u>2,552,123</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2025

	Insurance Fund	Fleet Management Fund	Total Internal Service Funds
Operating Revenues			
Charges for Services (Net)	\$ 17,473,828	10,234,045	27,707,873
Other Revenue	2,023,860	12,065	2,035,925
Total Operating Revenues	<u>19,497,688</u>	<u>10,246,110</u>	<u>29,743,798</u>
Operating Expenses			
Personnel Services	386,721	3,025,269	3,411,990
Contractual Services	19,005,611	142,237	19,147,848
Materials and Supplies	-	39,306	39,306
Repairs and Maintenance	-	6,538,423	6,538,423
Other Operating Expenses	-	229,887	229,887
Depreciation and Amortization	-	352,057	352,057
Total Operating Expenses	<u>19,392,332</u>	<u>10,327,179</u>	<u>29,719,511</u>
Operating Income (Loss)	<u>105,356</u>	<u>(81,069)</u>	<u>24,287</u>
Nonoperating Revenues (Expenses)			
Investment Income	34,297	-	34,297
Interest Expenses and Commissions	-	(38,586)	(38,586)
Total Nonoperating Revenues (Expenses)	<u>34,297</u>	<u>(38,586)</u>	<u>(4,289)</u>
Change in Net Position	139,653	(119,655)	19,998
Net Position, July 1, 2024	1,130,397	1,444,516	2,574,913
Restatement	(640)	(42,148)	(42,788)
Net Position, July 1, 2024 (Restated)	<u>1,129,757</u>	<u>1,402,368</u>	<u>2,532,125</u>
Net Position, June 30, 2025	<u>\$ 1,269,410</u>	<u>1,282,713</u>	<u>2,552,123</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2025

	Insurance Fund	Fleet Management Fund	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ -	25,479	25,479
Receipts from Interfund Services Provided	19,601,519	10,221,611	29,823,130
Payments to Employees	(331,607)	(2,895,462)	(3,227,069)
Payments to Suppliers	(18,888,357)	(6,875,769)	(25,764,126)
Payments for Interfund Services Used	-	(10,301)	(10,301)
Net Cash Provided by (Used for) Operating Activities	<u>381,555</u>	<u>465,558</u>	<u>847,113</u>
Cash Flows from Capital and Related Financing Activities			
Payments on Long-Term Debt	-	(266,570)	(266,570)
Interest Paid on Long-Term Debt	-	(57,191)	(57,191)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(323,761)</u>	<u>(323,761)</u>
Cash Flows from Investing Activities			
Interest Received	<u>34,297</u>	<u>-</u>	<u>34,297</u>
Net Cash Provided by (Used for) Investing Activities	<u>34,297</u>	<u>-</u>	<u>34,297</u>
Net Increase (Decrease) in Cash and Cash Equivalents	415,852	141,797	557,649
Cash and Cash Equivalents, July 1, 2024	<u>6,039,596</u>	<u>-</u>	<u>6,039,596</u>
Cash and Cash Equivalents, June 30, 2025	<u>\$ 6,455,448</u>	<u>141,797</u>	<u>6,597,245</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2025

	Insurance Fund	Fleet Management Fund	Total Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 105,356	(81,069)	24,287
Adjustments:			
Depreciation and Amortization	-	352,057	352,057
(Increase) Decrease in Deferred Pension Outflows	9,043	(29,284)	(20,241)
Increase (Decrease) in Deferred Pension Inflows	6,242	287,342	293,584
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(17,529)	1,416	(16,113)
(Increase) Decrease in Due from Other Funds	103,831	(436)	103,395
(Increase) Decrease in Inventories	-	(1,883)	(1,883)
Increase (Decrease) in Accounts Payable	169,763	65,666	235,429
Increase (Decrease) in Accrued Payroll Expenses	5,617	3,548	9,165
Increase (Decrease) in Compensated Absences	30,894	3,335	34,229
Increase (Decrease) in Net Pension Liability	3,318	(135,134)	(131,816)
Increase (Decrease) in Other Liabilities	(34,980)	-	(34,980)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 381,555</u>	<u>465,558</u>	<u>847,113</u>

Non-Cash Capital and Related Financing Activities

Fleet Management Fund

- Amortization of Bond Premium totaling \$18,605 included in interest expense on the Combining Statement of Revenues, Expenses, and Changes in Net Position.

See Independent Auditors' Report.

**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

The following schedules present only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the following amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
June 30, 2025

Governmental Funds Capital Assets	2025	2024
Land	\$ 30,206,581	\$ 31,716,471
Buildings and Improvements	321,255,748	305,747,461
Right-to-Use Leased Assets- Buildings	297,872	266,996
Intangible Right-to-Use Software Agreements	9,563,040	9,277,089
Equipment and Vehicles	61,512,252	55,821,145
Infrastructure	189,006,973	189,006,973
Intellectual Property	5,500	5,500
Artwork	323,150	323,150
Construction in Progress	67,791,186	65,309,303
 Total Governmental Funds Capital Assets	 \$ 679,962,302	 \$ 657,474,088
 Investments in Governmental Funds Capital Assets by Source		
General Fund	\$ 332,452,836	\$ 323,168,228
General Purpose School Fund	255,641,328	245,744,993
Special Revenue Funds	22,303,985	21,478,597
Capital Project Fund	1,772,967	1,772,967
Construction in Progress	67,791,186	65,309,303
 Total Investments in Governmental Funds Capital Assets by Source	 \$ 679,962,302	 \$ 657,474,088

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2025

Function and Activity	Land	Buildings and Improvements	Right-to-Use Leased Assets	Intangible Right-to-Use Software Agreements	Equipment and Vehicles	Infrastructure	Intellectual Property	Artwork	Construction in Progress	Total
General Government:										
General Administration	\$ 7,746,946	28,106,479	297,872	9,563,040	1,437,677	786,701	-	-	459,141	48,397,856
Information Technology	-	-	-	-	6,289,716	-	-	-	-	6,289,716
Total General Government	<u>7,746,946</u>	<u>28,106,479</u>	<u>297,872</u>	<u>9,563,040</u>	<u>7,727,393</u>	<u>786,701</u>	<u>-</u>	<u>-</u>	<u>459,141</u>	<u>54,687,572</u>
Education:										
General Operations	9,129,710	237,093,538	-	-	7,266,285	2,301,108	5,500	-	6,715,549	262,511,690
Food Service	-	-	-	-	2,671,828	-	-	-	-	2,671,828
Student Transit	-	-	-	-	4,913,038	-	-	-	-	4,913,038
Total Education	<u>9,129,710</u>	<u>237,093,538</u>	<u>-</u>	<u>-</u>	<u>14,851,151</u>	<u>2,301,108</u>	<u>5,500</u>	<u>-</u>	<u>6,715,549</u>	<u>270,096,556</u>
Parks, Recreation, Culture and Leisure	4,334,002	40,565,004	-	-	6,486,974	6,955,883	-	-	28,106,869	86,448,732
Public Works:										
Public Services	6,835,070	842,402	-	-	12,328,802	178,963,281	-	323,150	32,509,627	231,802,332
Recycling	-	462,980	-	-	-	-	-	-	-	462,980
Total Public Works	<u>6,835,070</u>	<u>1,305,382</u>	<u>-</u>	<u>-</u>	<u>12,328,802</u>	<u>178,963,281</u>	<u>-</u>	<u>323,150</u>	<u>32,509,627</u>	<u>232,265,312</u>
Public Safety:										
Police	-	1,521,026	-	-	9,562,773	-	-	-	-	11,083,799
Fire	-	5,605,889	-	-	10,378,190	-	-	-	-	15,984,079
Total Public Safety	<u>-</u>	<u>7,126,915</u>	<u>-</u>	<u>-</u>	<u>19,940,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,067,878</u>
City Service:										
Library	2,160,853	7,058,430	-	-	-	-	-	-	-	9,219,283
Community Development	-	-	-	-	147,720	-	-	-	-	147,720
Metropolitan Transportation Planning	-	-	-	-	29,249	-	-	-	-	29,249
Total City Service	<u>2,160,853</u>	<u>7,058,430</u>	<u>-</u>	<u>-</u>	<u>176,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,396,252</u>
Total Governmental Funds										
Capital Assets	<u>\$ 30,206,581</u>	<u>321,255,748</u>	<u>297,872</u>	<u>9,563,040</u>	<u>61,512,252</u>	<u>189,006,973</u>	<u>5,500</u>	<u>323,150</u>	<u>67,791,186</u>	<u>679,962,302</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 2025

Function and Activity	Governmental Funds Capital Assets June 30, 2024	Additions	Deletions	Transfers and Adjustments	Governmental Funds Capital Assets June 30, 2025
General Government:					
General Administration	\$ 42,063,165	6,459,073	(124,382)	-	48,397,856
Information Technology	6,044,858	183,119	(27,416)	89,155	6,289,716
Total General Government	48,108,023	6,642,192	(151,798)	89,155	54,687,572
Education:					
General Operations	254,201,679	8,344,496	(34,485)	-	262,511,690
Food Service	2,704,173	-	(32,345)	-	2,671,828
Student Transit	4,972,680	-	-	(59,642)	4,913,038
Total Education	261,878,532	8,344,496	(66,830)	(59,642)	270,096,556
Parks, Recreation, Culture and Leisure	88,202,040	186,461	(1,939,769)	-	86,448,732
Public Works:					
Public Services	222,746,418	9,071,268	(7,690)	(7,664)	231,802,332
Recycling	462,980	-	-	-	462,980
Total Public Works	223,209,398	9,071,268	(7,690)	(7,664)	232,265,312
Public Safety:					
Police	10,699,577	1,232,907	(872,696)	24,011	11,083,799
Fire	15,921,104	372,383	(338,596)	29,188	15,984,079
Total Public Safety	26,620,681	1,605,290	(1,211,292)	53,199	27,067,878
City Service:					
Library	9,219,283	-	-	-	9,219,283
Community Development	147,720	-	-	-	147,720
Metropolitan Transportation Planning	88,411	-	-	(59,162)	29,249
Total City Service	9,455,414	-	-	(59,162)	9,396,252
Total Governmental Funds Capital Assets	\$ 657,474,088	25,849,707	(3,377,379)	15,886	679,962,302

See Independent Auditors' Report.

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2025

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Number	Contract Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture:				
Pass-through State Department of Education:				
Child Nutrition Cluster:				
National School Breakfast Program	10.553	N/A	N/A	\$ 761,148
National School Lunch Program	10.555	N/A	N/A	2,630,205
Total Child Nutrition Cluster				<u>3,391,353</u>
National School Snack Program - Cooperative Extension Service	10.500	N/A	N/A	<u>102,464</u>
Pass-through State Department of Agriculture through the Northeast Tennessee Cooperative:				
Food Distribution Cluster:				
National School Lunch Program (Commodities - Noncash Assistance)	10.565	N/A	N/A	327,876
Total U.S. Department of Agriculture				<u>3,821,693</u>
U.S. Department of Health and Human Services:				
Pass-through State of Tennessee Department of Education				
Temporary Assistance for Needy Families - Learning Camps	93.558	N/A	SLFRP5534	55,126
Total U.S. Department of Health and Human Services				<u>55,126</u>
U.S. Department of Housing and Urban Development				
CDBG - Entitlement/Special Purpose Grants Cluster	14.218	B-MC-47-0008	N/A	605,374
Total U.S. Department of Housing and Urban Development				<u>605,374</u>

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CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2025

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Number	Contract Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Justice:				
Direct Programs:				
Bullet Proof Vest Program				
Bullet Proof Vest	16.607	2000-BU-BX-01007843	N/A	15,795
Total Bullet Proof Vest Program				<u>15,795</u>
Edward Byrne Memorial Justice Assistance Program				
Byrne JAG 2023	16.738	15PBJA-23-AG-06159-JAGX	N/A	31,657
Total Edward Byrne Memorial Justice Assistance Program				<u>31,657</u>
Pass-through State Department of Justice:				
Criminal Justice Program				
JAG-VOCA	16.575	N/A	N/A	98,000
Total Criminal Justice Program				<u>98,000</u>
Total U.S. Department of Justice				<u>145,452</u>
U.S. Department of Transportation:				
Direct Programs:				
Federal Transit Cluster:				
Federal Transit Formula Grants (Operating)	20.507	TN-2022-020	N/A	87,895
Federal Transit Formula Grants (Operating)	20.507	TN-2024-036	N/A	1,550,432
Federal Transit Formula Grants (Operating)	20.507	TN-2025-027	N/A	935,613
Federal Transit Formula Grants (Section 5339 Capital)	20.507	TN-2020-031	N/A	3,471
Federal Transit Formula Grants (Section 5339 Capital)	20.507	TN-2023-013	N/A	273,923
Federal Transit Formula Grants (Section 5339 Capital)	20.507	TN-2025-002	N/A	9,058
Federal Transit Formula Grants (Section 5307 Capital)	20.507	TN-2022-020	N/A	3,778
Federal Transit Formula Grants (Section 5307 Capital)	20.507	TN-2024-036	N/A	45,177
Federal Transit Formula Grants (Section 5307 Capital)	20.507	TN-2019-036	N/A	6,400
Total Federal Transit Cluster				<u>2,915,747</u>

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2025

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Number	Contract Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Pass-through State Department of Transportation:				
Highway Planning and Construction				
Highway Planning and Construction	20.205	Z-14MPO006	N/A	348,552
Total Highway Planning and Construction				<u>348,552</u>
Transit Services Program Cluster				
New Freedom (Operating)	20.521	TN-57-X008-01	N/A	69,755
Total Transit Services Program Cluster				<u>69,755</u>
Alcohol Open Container Requirements Program				
Alcohol Open Container Requirements - Safer Streets	20.607	N/A	Z25THS5153	36,584
Alcohol Open Container Requirements - Safer Streets XV 2024	20.607	N/A	Z24THS1447	14,977
Total Alcohol Open Container Requirements Program				<u>51,561</u>
Total U.S. Department of Transportation				<u>3,385,615</u>
U.S. Department of Treasury				
COVID-19 American Rescue Plan Act (ARPA)	21.027	N/A	N/A	3,990,109
Total U.S. Department of Treasury				<u>3,990,109</u>
U.S. Environmental Protection Agency:				
Pass-through State of Tennessee Environmental Protection Agency				
State Revolving Loan Funds	66.458	State Revolving Loan	N/A	571,740
Total U.S. Environmental Protection Agency				<u>571,740</u>

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CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2025

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Number	Contract Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Education:				
Pass-through State Department of Education:				
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA)	84.027A	N/A	H027A240052	1,896,485
IDEA Partnership for Systemic Change (K-12) - Implementation	84.027A	N/A	H027A230052	99,099
				<u>1,995,584</u>
Preschool Incentive Project	84.173A	N/A	H173A240095	55,067
Total Special Education Cluster (IDEA)				<u>2,050,651</u>
Title I , Part A - Improving Basic Programs Operated by Local Educational Agencies	84.010A	N/A	S010A240042	1,939,625
Title I-D	84.010A	N/A	S010A240042	15,327
				<u>1,954,952</u>
Carl Perkins - Reserve	84.048A	N/A	V048A240042-24A	50,000
Career and Technical Education - Carl Perkins	84.048A	N/A	V048A240042	164,005
				<u>214,005</u>
Title IV Student Support and Academic Enrichment	84.424A	N/A	S424A240044	155,595
Stronger Connections	84.424F	N/A	S4244F240044	272,700
Education for Homeless Children and Youth	84.196A	N/A	S196A240044	61,104
21st Century Community Learning Center	84.287C	N/A	S287C240043	208,517
Title II, Part A, Improving Teacher Quality State Grants	84.367A	N/A	S367A240040	357,916
Title III, Immigrant and English Language Acquisition State Grants	84.365A	N/A	S365A240040	61,864
COVID-19 Elementary and Secondary School Emergency Relief	84.425D	ESSER 3	S425U2100047	153,956
COVID-19 ARP Homeless 1.0	84.425W	N/A	S425W210044	582
COVID-19 ARP Homeless 2.0	84.425W	N/A	S425W210044-21A	6,257
				<u>6,839</u>
Total U.S. Department of Education				<u>5,498,099</u>
Total Expenditures of Federal Awards				<u>\$ 18,073,208</u>

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CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2025

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City under programs of the federal government for the fiscal year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C: INDIRECT COST RATES

Effective November 2, 2017, the City Commission approved to adopt the 10 percent *de minimis* indirect cost rate.

NOTE D: FOOD DISTRIBUTION AND SURPLUS MILITARY PROPERTY

Non-monetary assistance is reported in the schedule at the fair market value of commodities received and used. The balance amounts represent inventory on hand. Non-monetary assistance is reported in the schedule at the estimated fair market value of property received and used.

NOTE E: AMERICAN RESCUE PLAN ACT (21.027)

American Rescue Plan Act funds in the amount of \$13,415,440 were received during previous fiscal years. The City began to expend these funds during fiscal year 2023 and the remaining funds not yet expended, \$2,806,080, are reported as deferred revenue in the General Fund financial statements.

NOTE F: STATE REVOLVING LOAN (66.458)

The total loan balance at June 30, 2025 was \$11,552,475. There were no new loan draws during fiscal year 2025.

**SCHEDULE OF EXPENDITURES
OF STATE AWARDS**

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2025

Grantor Agency / Pass-Through Agency Program Title	Contract Number	Pass-Through Entity Identifying Number	Total State Expenditures
Tennessee Department of Military:			
Hazardous Materials Emergency Preparedness Grant	N/A	N/A	\$ 5,160
Total Tennessee Department of Military			<u>5,160</u>
Tennessee Department of Transportation:			
Transit State Operating Grant	90UROP-S3-019	GG-25-87776	820,000
Transit State Operating Grant	905370-S3-25	Z-23-5307-10	10,987
Transit State Operating Grant	905370-S3-27	Z-23-5307-13	75,125
New Freedom Operating Grant	905317-S3-012	GG-26-87968	21,235
New Freedom Operating Grant	905317-S3-011	GG-22-71658-A	13,969
Transit State Capital Grant	905307-S3-025	Z-23-5307-10	472
Transit State Capital Grant	905307-S3-026	GG-25-86194	800
Transit State Capital Grant	905307-S3-027	Z-25-5307-13	5,648
Transit State Capital Grant	905339-S3-010	Z-24-BP00-15	34,240
Transit State Capital Grant	905339-S3-012	Z-24-BP00-03	1,566
Total Tennessee Department of Transportation			<u>984,042</u>
Tennessee Department of Commerce and Insurance:			
Recruitment and Retention - Cadets	N/A	77833-87	85,500
Economic Development Admin. - Sinking Creek Pump Station	N/A	04-79-07555	1,072,454
Pass-Through Washington County, TN Fire Department Grant	N/A	N/A	67,531
Total Tennessee Department of Commerce and Insurance			<u>1,225,485</u>

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(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2025

Grantor Agency / Pass-Through Agency Program Title	Contract Number	Pass-Through Entity Identifying Number	Total State Expenditures
Tennessee Commission on Children and Youth: Pass-Through Washington County, Tennessee: Juvenile Court State Supplement	35910-03602	N/A	4,500
Total Tennessee Commission on Children and Youth			<u>4,500</u>
Tennessee Department of Mental Health and Substance Abuse Services: Pass-Through Washington County, Tennessee: Juvenile Court Safe Baby Court	74161-2022-2023-015	N/A	100,000
Total Tennessee Department of Mental Health and Substance Abuse Services			<u>100,000</u>
Tennessee Housing Development Agency: Emergency Shelter Grant	Z-05-020660-01	N/A	134,375
Total Tennessee Housing Development Agency			<u>134,375</u>
Tennessee Department of Education: Lottery Pre-K	N/A	N/A	417,298
Innovative Schools Model	N/A	N/A	512,777
Public School Security	N/A	N/A	221,770
State Special Education PreSchool	N/A	N/A	159,448
Learning Camps	N/A	N/A	333,088
Learning Camp Transportation	N/A	N/A	73,565
Total Tennessee Department of Education			<u>1,717,946</u>
Tennessee Department of Safety and Homeland Security: SRO Grant Program	N/A	79157	818,355
Total Tennessee Department of Safety and Homeland Security			<u>818,355</u>

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(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2025

Grantor Agency / Pass-Through Agency Program Title	Contract Number	Pass-Through Entity Identifying Number	Total State Expenditures
Tennessee Department of Finance and Administration: Violent Crime Intervention Fund (VCIF)	N/A	77241-VCIF	<u>372,721</u>
Total Tennessee Department of Finance and Administration			<u>372,721</u>
Tennessee Department of Economic & Community Development: TN Placemakers Entrepreneurship Program	77740	33007-12525	<u>25,000</u>
Total Tennessee Department of Economic & Community Development:			<u>25,000</u>
Total Expenditures of State Awards			<u>\$ 5,387,584</u>

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS
For the Fiscal Year Ended June 30, 2025**

General Fund	Transfers In:								
	Debt Service		Special Revenue				Capital Project	Enterprise	
	Debt Service	Educ Facilities Debt Service	General Purpose School	Freedom Hall	School Federal and Special Projects	Transportation Planning	Capital Project Fund	Mass Transit	
General Fund	\$ 9,861,962		\$ 11,650,543	\$ 609,000		\$ 73,973	\$ 5,479,257	\$ 1,170,355	
Special Revenue Funds:									
General Purpose School Debt Service	\$ 10,740	551,402	\$ 2,074,015		\$ 257,863				
Educ Facilities Debt Service	\$ 23,807						6,350,209		
School Federal & Special Projects Community Development	85,540								
School Trust Fund									
Transportation Planning									
Public Building Authority									
Internal Service Funds									
Enterprise Funds:									
Mass Transit	1,893,681								
Water and Sewer	990,000								
Totals	\$ 3,003,768	\$ 10,413,364	\$ 2,074,015	\$ 11,650,543	\$ 609,000	\$ 257,863	\$ 73,973	\$ 11,829,466	\$ 1,170,355

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2025

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2026	\$ 14,936,221	8,322,725	\$ 23,258,946
2027	14,331,202	7,573,436	21,904,638
2028	14,906,580	6,964,470	21,871,050
2029	15,112,032	6,334,419	21,446,451
2030	14,668,587	5,698,232	20,366,819
2031	15,210,247	5,087,367	20,297,614
2032	12,919,988	4,477,305	17,397,293
2033	13,459,836	3,957,687	17,417,523
2034	12,774,780	3,415,256	16,190,036
2035	10,379,820	2,898,693	13,278,513
2036	11,573,351	3,315,626	14,888,977
2037	9,504,212	2,049,846	11,554,058
2038	9,842,564	1,695,578	11,538,142
2039	10,206,024	1,326,875	11,532,899
2040	9,243,035	920,014	10,163,049
2041	6,978,256	551,068	7,529,324
2042	6,847,028	297,096	7,144,124
2043	1,930,839	48,727	1,979,566
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 204,824,602</u>	<u>\$ 64,934,420</u>	<u>\$ 269,759,022</u>

Note: The total reflected on the statement of net position has been increased by debt premium costs of \$21,703,607.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2025

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2026	\$ 175,592	\$ 84,127	\$ 259,719
2027	177,096	79,923	257,019
2028	133,605	75,602	209,207
2029	135,301	70,818	206,119
2030	142,008	66,024	208,032
2031	148,790	60,990	209,780
2032	150,598	55,770	206,368
2033	157,583	50,242	207,825
2034	164,606	44,605	209,211
2035	171,715	38,373	210,088
2036	173,881	32,008	205,889
2037	181,210	25,478	206,688
2038	188,607	18,550	207,157
2039	61,107	11,336	72,443
2040	63,696	8,750	72,446
2041	59,024	6,046	65,070
2042	36,912	4,093	41,005
2043	21,656	3,041	24,697
2044	17,597	2,407	20,004
2045	18,184	1,820	20,004
2046	18,784	1,220	20,004
2047	19,404	600	20,004
2048	7,896	62	7,958
Totals	<u>\$ 2,424,852</u>	<u>\$ 741,885</u>	<u>\$ 3,166,737</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Year Ended June 30, 2025

	Original Amount Issued	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2024	Issued During Period	Paid / Refunded During Period	Outstanding June 30, 2025
GOVERNMENTAL ACTIVITIES:								
<u>BONDS PAYABLE:</u>								
Payable Through Educational Facilities Debt Service Fund:								
Local Government Public Improvement Bonds, Series VII-I-1, 2010	\$ 27,945,000	5.00%	12/29/2010	6/1/2034	\$ 21,715,000	\$ -	\$ 1,855,000	\$ 19,860,000
General Obligation Bonds, Series 2020	14,768,672	4.00% - 5.00%	12/15/2020	3/1/2033	9,600,000	-	1,615,000	7,985,000
General Obligation Bonds, Series 2022	1,935,000	4.00% - 5.00%	5/4/2022	3/1/2042	<u>1,800,000</u>	<u>-</u>	<u>65,000</u>	<u>1,735,000</u>
Total Bonds Payable Through Educational Facilities Debt Service Fund					<u>33,115,000</u>	<u>-</u>	<u>3,535,000</u>	<u>29,580,000</u>
Payable Through Debt Service Fund:								
The Tennessee Municipal Bond Fund, Series TCSLP 2008	14,898,315	5.00%	1/9/2009	5/25/2029	4,237,750	-	767,283	3,470,467
Qualified School Construction Bonds, Series 2009	8,160,000	1.52%	12/1/2009	9/1/2026	1,116,467	-	509,172	607,295

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Year Ended June 30, 2025

	Original Amount Issued	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2024	Issued During Period	Paid / Refunded During Period	Outstanding June 30, 2025
GOVERNMENTAL ACTIVITIES (CONTINUED):								
<u>BONDS PAYABLE (CONTINUED):</u>								
Payable Through Debt Service Fund (Continued):								
The Tennessee Municipal Bond Fund, Series 2014	2,000,000	2.56%	12/23/2014	11/1/2029	868,994	-	140,000	728,994
The Tennessee Municipal Bond Fund, Series 2014	1,300,000	2.58%	12/17/2014	11/1/2034	797,000	-	64,000	733,000
General Obligation Bonds, Series 2016	11,205,000	2.00% - 5.00%	4/12/2016	6/1/2036	7,865,000	-	515,000	7,350,000
General Obligation Improvement and Refunding Bonds, Series 2016A	20,905,517	3.00% - 5.00%	11/17/2016	6/1/2036	12,244,249	-	1,134,485	11,109,764
General Obligation Bonds, Series 2019	4,805,000	5.00%	2/27/2019	6/1/2039	3,760,000	-	245,000	3,515,000
General Obligation Refunding Bonds, Series 2019B	18,052,222	4.00% - 5.00%	7/31/2019	6/30/2040	15,083,321	-	641,625	14,441,696
General Obligation Bonds, Series 2020	12,186,553	4.00% - 5.00%	12/15/2020	3/1/2041	4,542,179	-	1,313,432	3,228,747
General Obligation Bonds, Series 2022	40,020,000	4.00% - 5.00%	5/4/2022	3/1/2042	37,220,000	-	1,345,000	35,875,000
Total Bonds Payable Through Debt Service Fund					<u>87,734,960</u>	<u>-</u>	<u>6,674,997</u>	<u>81,059,963</u>
Payable Through Fleet Management Fund:								
General Obligation Bonds, Series 2020	1,865,980	4.00% - 5.00%	12/15/2020	3/1/2028	1,143,822	-	266,569	877,253
Total Bonds Payable Through Fleet Management Fund					<u>1,143,822</u>	<u>-</u>	<u>266,569</u>	<u>877,253</u>
Total Governmental Activities General Obligation Bonds Outstanding								<u>\$ 111,517,216</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Year Ended June 30, 2025

	Original Amount Issued	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2024	Issued During Period	Paid / Refunded During Period	Outstanding June 30, 2025
GOVERNMENTAL ACTIVITIES (CONTINUED):								
<u>OTHER NOTES PAYABLE:</u>								
Payable Through Debt Service Fund:								
Promissory Note Hands On	\$ 500,000	0.00%	9/21/2017	9/21/2026	\$ 150,000	\$ -	\$ 50,000	\$ 100,000
Total Other Notes Payable Through Debt Service Fund					<u>150,000</u>	<u>-</u>	<u>50,000</u>	<u>100,000</u>
Payable Through General Fund:								
Aerospace Park Bonds, Series 2018 Portion Guaranteed by the City	1,912,500	3.00% - 4.50%	3/29/2018	6/30/2038	1,485,000	-	85,000	1,400,000
Total Other Notes Payable Through General Fund					<u>1,485,000</u>	<u>-</u>	<u>85,000</u>	<u>1,400,000</u>
Total Governmental Activities Other Notes Payable Outstanding								<u><u>\$ 1,500,000</u></u>

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(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Year Ended June 30, 2025

	Original Amount Issued	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2024	Issued During Period	Paid / Refunded During Period	Outstanding June 30, 2025
BUSINESS-TYPE ACTIVITIES:								
<u>BONDS PAYABLE:</u>								
Payable Through Water and Sewer Fund:								
The Tennessee Municipal Bond Fund, Series TCSLP 2008	\$ 901,685	5.00%	1/9/2009	5/25/2029	\$ 313,249	\$ -	\$ 56,716	\$ 256,533
General Obligation Bonds, Series 2013	23,970,000	2.00% - 4.00%	5/30/2013	6/1/2043	18,020,000	-	705,000	17,315,000
General Obligation Improvement and Refunding Bonds, Series 2016A	17,289,483	3.00-5.00%	11/17/2016	6/1/2036	11,275,750	-	1,655,515	9,620,235
General Obligation Bonds, Series 2019	12,380,000	5.00%	2/27/2019	6/1/2039	10,255,000	-	490,000	9,765,000
General Obligation Refunding Bonds, Series 2019B	17,001,035	4.00%-5.00%	7/31/2019	6/1/2040	14,300,131	-	608,372	13,691,759
State Revolving Loan	12,708,599	1.25%	12/13/2019	7/1/2043	12,124,215	-	571,740	11,552,475
General Obligation Refunding Bonds, Series 2022	23,000,000	4.00%-5.00%	5/4/2022	3/1/2042	<u>21,390,000</u>	<u>-</u>	<u>770,000</u>	<u>20,619,996</u>
Total Bonds Payable Through Water and Sewer Fund					<u>87,678,345</u>	<u>-</u>	<u>4,857,343</u>	<u>82,820,998</u>
Payable Through City Solid Waste Fund:								
General Obligation Bonds, Series 2019	1,785,000	5.00%	2/27/2019	6/1/2039	1,480,000	-	70,000	1,410,000
General Obligation Bonds, Series 2020	813,283	4.00% - 5.00%	12/15/2020	3/1/2041	<u>735,000</u>	<u>-</u>	<u>30,000</u>	<u>705,000</u>
Total Bonds Payable Through City Solid Waste Fund					<u>2,215,000</u>	<u>-</u>	<u>100,000</u>	<u>2,115,000</u>

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(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Year Ended June 30, 2025

	Original Amount Issued	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2024	Issued During Period	Paid / Refunded During Period	Outstanding June 30, 2025
BUSINESS-TYPE ACTIVITIES (CONTINUED):								
<u>BONDS PAYABLE (CONTINUED):</u>								
Payable Through Stormwater Management Fund:								
General Obligation Bonds, Series 2013	5,785,000	2.00% - 4.00%	5/30/2013	6/1/2034	3,210,000	-	280,000	2,930,000
General Obligation Bonds, Series 2020	2,442,000	4.00% - 5.00%	12/15/2020	3/1/2041	2,199,000	-	90,000	2,109,000
General Obligation Bonds, Series 2022	2,760,000	4.00% - 5.00%	5/4/2022	3/1/2042	2,565,000	-	95,000	2,470,000
Total Bonds Payable Through Stormwater Management Fund					<u>7,974,000</u>	<u>-</u>	<u>465,000</u>	<u>7,509,000</u>
Total Business-Type Activities Bonds Outstanding								<u>\$ 92,444,998</u>
<u>NOTES PAYABLE:</u>								
Payable Through Water and Sewer Fund:								
Limestone Cove	\$ 450,000	4.65%	3/13/2003	3/13/2041	\$ 292,902	\$ -	\$ 11,890	\$ 281,012
Watauga Flats	380,000	4.38%	4/20/2004	4/20/2042	253,020	-	9,690	243,330
Limestone Cove	125,000	4.25%	4/20/2005	4/20/2043	85,670	-	3,066	82,604
ARRA Greggtown	435,000	3.25%	1/24/2010	1/14/2048	327,410	-	9,503	317,907
Total Notes Payable Through Water and Sewer Fund					<u>959,002</u>	<u>-</u>	<u>34,149</u>	<u>924,853</u>
Total Business-Type Activities Notes Payable Outstanding								<u>\$ 924,853</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
LOCAL GOVERNMENT PUBLIC IMPROVEMENT BONDS, SERIES VII-I-1, 2010
ISSUED DECEMBER 29, 2010
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 1,920,000	595,800	2,515,800
2027	1,985,000	538,200	2,523,200
2028	2,055,000	478,650	2,533,650
2029	2,125,000	417,000	2,542,000
2030	2,200,000	353,250	2,553,250
2031	2,280,000	287,250	2,567,250
2032	2,355,000	218,850	2,573,850
2033	2,440,000	148,200	2,588,200
2034	2,500,000	75,000	2,575,000
	<u>\$ 19,860,000</u>	<u>3,112,200</u>	<u>22,972,200</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION BONDS, SERIES 2020
ISSUED DECEMBER 15, 2020
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 840,000	365,800	1,205,800
2027	880,000	323,800	1,203,800
2028	925,000	279,800	1,204,800
2029	975,000	233,550	1,208,550
2030	1,020,000	184,800	1,204,800
2031	1,070,000	133,800	1,203,800
2032	1,115,000	91,000	1,206,000
2033	1,160,000	46,400	1,206,400
	<u>\$ 7,985,000</u>	<u>1,658,950</u>	<u>9,643,950</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION BONDS, SERIES 2022
ISSUED MAY 4, 2022
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 70,000	78,000	148,000
2027	70,000	74,500	144,500
2028	75,000	71,000	146,000
2029	80,000	67,250	147,250
2030	85,000	63,250	148,250
2031	90,000	59,000	149,000
2032	90,000	54,500	144,500
2033	95,000	50,000	145,000
2034	100,000	45,250	145,250
2035	105,000	40,250	145,250
2036	110,000	35,000	145,000
2037	115,000	30,600	145,600
2038	120,000	26,000	146,000
2039	125,000	21,200	146,200
2040	130,000	16,200	146,200
2041	135,000	11,000	146,000
2042	140,000	5,600	145,600
	<u>\$ 1,735,000</u>	<u>748,600</u>	<u>2,483,600</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
TENNESSEE MUNICIPAL BOND FUND, SERIES TCSLP 2008
ISSUED JANUARY 9, 2009
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 805,461	173,523	978,984
2027	845,502	133,251	978,753
2028	887,404	90,975	978,379
2029	932,100	46,605	978,705
	<u>\$ 3,470,467</u>	<u>444,354</u>	<u>3,914,821</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
QUALIFIED SCHOOL CONSTRUCTION BONDS, SERIES 2009
ISSUED DECEMBER 1, 2009
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 559,293	123,624	682,917
2027	48,002	10,302	58,304
	\$ 607,295	133,926	741,221

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
TENNESSEE MUNICIPAL BOND FUND, SERIES 2014
ISSUED DECEMBER 17, 2014
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 65,000	40,910	105,910
2027	67,000	37,055	104,055
2028	69,000	33,083	102,083
2029	70,000	29,024	99,024
2030	72,000	24,878	96,878
2031	74,000	20,615	94,615
2032	76,000	16,235	92,235
2033	78,000	11,738	89,738
2034	80,000	7,124	87,124
2035	82,000	2,394	84,394
	\$ 733,000	223,056	956,056

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
TENNESSEE MUNICIPAL BOND FUND, SERIES 2014
ISSUED DECEMBER 23, 2014
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 143,000	40,765	183,765
2027	147,000	31,775	178,775
2028	151,000	22,536	173,536
2029	155,000	13,050	168,050
2030	132,994	4,123	137,117
	<u>\$ 728,994</u>	<u>112,249</u>	<u>841,243</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION BONDS, SERIES 2016
ISSUED APRIL 12, 2016
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 540,000	299,400	839,400
2027	565,000	272,400	837,400
2028	590,000	249,800	839,800
2029	615,000	226,200	841,200
2030	640,000	201,600	841,600
2031	665,000	176,000	841,000
2032	690,000	149,400	839,400
2033	720,000	121,800	841,800
2034	745,000	93,000	838,000
2035	775,000	63,200	838,200
2036	805,000	32,200	837,200
	<u>\$ 7,350,000</u>	<u>1,885,000</u>	<u>9,235,000</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS, SERIES 2016A
ISSUED NOVEMBER 17, 2016
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 1,214,191	456,532	1,670,723
2027	1,189,780	395,823	1,585,603
2028	1,239,602	348,232	1,587,834
2029	1,286,150	298,648	1,584,798
2030	1,334,663	247,202	1,581,865
2031	1,395,378	193,815	1,589,193
2032	635,000	138,000	773,000
2033	660,000	112,600	772,600
2034	690,000	86,200	776,200
2035	720,000	58,600	778,600
2036	745,000	29,800	774,800
	<u>\$ 11,109,764</u>	<u>2,365,452</u>	<u>13,475,216</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION BONDS, SERIES 2019
ISSUED FEBRUARY 27, 2019
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 250,000	151,300	401,300
2027	190,000	138,800	328,800
2028	200,000	129,300	329,300
2029	210,000	119,300	329,300
2030	220,000	108,800	328,800
2031	230,000	97,800	327,800
2032	240,000	88,600	328,600
2033	250,000	79,000	329,000
2034	260,000	69,000	329,000
2035	270,000	58,600	328,600
2036	280,000	47,800	327,800
2037	295,000	36,600	331,600
2038	305,000	24,800	329,800
2039	315,000	12,600	327,600
	<u>\$ 3,515,000</u>	<u>1,162,300</u>	<u>4,677,300</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAID FROM GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION BONDS, SERIES 2019B
ISSUED JULY 31, 2019
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 674,990	687,866	1,362,856
2027	708,354	654,114	1,362,468
2028	744,285	618,692	1,362,977
2029	780,216	581,474	1,361,690
2030	818,713	542,459	1,361,172
2031	859,778	501,520	1,361,298
2032	903,408	458,526	1,361,934
2033	949,605	413,351	1,362,956
2034	995,802	365,867	1,361,669
2035	1,047,132	316,071	1,363,203
2036	1,098,462	263,709	1,362,171
2037	1,142,092	219,766	1,361,858
2038	1,188,290	174,078	1,362,368
2039	1,234,486	126,541	1,361,027
2040	1,296,083	64,811	1,360,894
	<u>\$ 14,441,696</u>	<u>5,988,845</u>	<u>20,430,541</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION BONDS, SERIES 2020
ISSUED DECEMBER 15, 2020
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 370,891	147,797	518,688
2027	383,198	129,253	512,451
2028	407,658	110,093	517,751
2029	342,000	89,710	431,710
2030	361,000	72,610	433,610
2031	380,000	54,560	434,560
2032	82,000	39,360	121,360
2033	86,000	36,080	122,080
2034	88,000	32,640	120,640
2035	92,000	29,120	121,120
2036	96,000	25,440	121,440
2037	100,000	21,600	121,600
2038	104,000	17,600	121,600
2039	108,000	13,440	121,440
2040	112,000	9,120	121,120
2041	116,000	4,640	120,640
	<u>\$ 3,228,747</u>	<u>833,063</u>	<u>4,061,810</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION BONDS, SERIES 2022
ISSUED MAY 4, 2022
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 1,410,000	1,612,350	3,022,350
2027	1,480,000	1,541,850	3,021,850
2028	1,555,000	1,467,850	3,022,850
2029	1,630,000	1,390,100	3,020,100
2030	1,715,000	1,308,600	3,023,600
2031	1,800,000	1,222,850	3,022,850
2032	1,890,000	1,132,850	3,022,850
2033	1,985,000	1,038,350	3,023,350
2034	2,085,000	939,100	3,024,100
2035	2,185,000	834,850	3,019,850
2036	2,295,000	725,600	3,020,600
2037	2,390,000	633,800	3,023,800
2038	2,485,000	538,200	3,023,200
2039	2,585,000	438,800	3,023,800
2040	2,685,000	335,400	3,020,400
2041	2,795,000	228,000	3,023,000
2042	2,905,000	116,200	3,021,200
	<u>\$ 35,875,000</u>	<u>15,504,750</u>	<u>51,379,750</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
GENERAL OBLIGATION BONDS, SERIES 2020
ISSUED DECEMBER 15, 2020
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 281,109	43,863	324,972
2027	290,802	29,807	320,609
2028	305,342	15,267	320,609
	<u>\$ 877,253</u>	<u>88,937</u>	<u>966,190</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
ANNUAL DEBT SERVICE REQUIREMENTS - ALL GOVERNMENTAL ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 9,143,935	4,817,530	13,961,465
2027	8,849,638	4,310,930	13,160,568
2028	9,204,291	3,915,278	13,119,569
2029	9,200,466	3,511,911	12,712,377
2030	8,599,370	3,111,572	11,710,942
2031	8,844,156	2,747,210	11,591,366
2032	8,076,408	2,387,321	10,463,729
2033	8,423,605	2,057,519	10,481,124
2034	7,543,802	1,713,181	9,256,983
2035	5,276,132	1,403,085	6,679,217
2036	5,429,462	1,159,549	6,589,011
2037	4,042,092	942,366	4,984,458
2038	4,202,290	780,678	4,982,968
2039	4,367,486	612,581	4,980,067
2040	4,223,083	425,531	4,648,614
2041	3,046,000	243,640	3,289,640
2042	3,045,000	121,800	3,166,800
	<u>\$ 111,517,216</u>	<u>34,261,682</u>	<u>145,778,898</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS
OTHER NOTES PAYABLE TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
HANDS ON PROMISSORY NOTE
ISSUED SEPTEMBER 21, 2017
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 50,000	-	50,000
2027	50,000	-	50,000
	<u>\$ 100,000</u>	<u>-</u>	<u>100,000</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS
OTHER NOTES PAYABLE TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
AEROSPACE PARK BONDS, SERIES 2018
ISSUED MARCH 29, 2018
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 90,000	47,275	137,275
2027	90,000	44,575	134,575
2028	95,000	41,763	136,763
2029	95,000	38,675	133,675
2030	100,000	35,587	135,587
2031	105,000	32,337	137,337
2032	105,000	28,925	133,925
2033	110,000	25,381	135,381
2034	115,000	21,669	136,669
2035	120,000	17,644	137,644
2036	120,000	13,444	133,444
2037	125,000	9,244	134,244
2038	130,000	4,712	134,712
	<u>\$ 1,400,000</u>	<u>361,231</u>	<u>1,761,231</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS
OTHER NOTES PAYABLE TO BE REPAYED FROM GOVERNMENTAL ACTIVITIES
ANNUAL DEBT SERVICE REQUIREMENTS - ALL GOVERNMENTAL ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 140,000	47,275	187,275
2027	140,000	44,575	184,575
2028	95,000	41,763	136,763
2029	95,000	38,675	133,675
2030	100,000	35,587	135,587
2031	105,000	32,337	137,337
2032	105,000	28,925	133,925
2033	110,000	25,381	135,381
2034	115,000	21,669	136,669
2035	120,000	17,644	137,644
2036	120,000	13,444	133,444
2037	125,000	9,244	134,244
2038	130,000	4,712	134,712
	<u>\$ 1,500,000</u>	<u>361,231</u>	<u>1,861,231</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
TENNESSEE MUNICIPAL BOND FUND, SERIES TCSLP 2008
ISSUED JANUARY 9, 2009
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 59,539	12,827	72,366
2027	62,498	9,849	72,347
2028	65,596	6,725	72,321
2029	68,900	3,445	72,345
	<u>\$ 256,533</u>	<u>32,846</u>	<u>289,379</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013
ISSUED MAY 30, 2013
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 720,000	567,100	1,287,100
2027	740,000	549,100	1,289,100
2028	760,000	529,675	1,289,675
2029	780,000	506,875	1,286,875
2030	805,000	483,475	1,288,475
2031	835,000	456,306	1,291,306
2032	860,000	428,125	1,288,125
2033	890,000	399,100	1,289,100
2034	920,000	369,063	1,289,063
2035	1,000,000	338,012	1,338,012
2036	1,000,000	306,012	1,306,012
2037	1,025,000	273,512	1,298,512
2038	1,050,000	240,200	1,290,200
2039	1,080,000	204,762	1,284,762
2040	1,150,000	168,313	1,318,313
2041	1,200,000	129,500	1,329,500
2042	1,225,000	87,500	1,312,500
2043	1,275,000	44,625	1,319,625
	<u>\$ 17,315,000</u>	<u>6,081,255</u>	<u>23,396,255</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS, SERIES 2016A
ISSUED NOVEMBER 17, 2016
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 1,885,809	403,667	2,289,476
2027	1,425,220	309,377	1,734,597
2028	1,490,398	252,368	1,742,766
2029	1,533,850	192,752	1,726,602
2030	1,590,337	131,398	1,721,735
2031	1,694,621	67,785	1,762,406
	<u>\$ 9,620,235</u>	<u>1,357,347</u>	<u>10,977,582</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
GENERAL OBLIGATION BONDS, SERIES 2019
ISSUED FEBRUARY 27, 2019
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 515,000	419,000	934,000
2027	540,000	393,250	933,250
2028	565,000	366,250	931,250
2029	595,000	338,000	933,000
2030	625,000	308,250	933,250
2031	655,000	277,000	932,000
2032	680,000	250,800	930,800
2033	710,000	223,600	933,600
2034	735,000	195,200	930,200
2035	765,000	165,800	930,800
2036	795,000	135,200	930,200
2037	830,000	103,400	933,400
2038	860,000	70,200	930,200
2039	895,000	35,800	930,800
	<u>\$ 9,765,000</u>	<u>3,281,750</u>	<u>13,046,750</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019B
ISSUED JULY 31, 2019
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 640,010	652,153	1,292,163
2027	671,646	620,153	1,291,799
2028	705,715	586,571	1,292,286
2029	739,784	551,285	1,291,069
2030	776,287	514,296	1,290,583
2031	815,222	475,482	1,290,704
2032	856,592	434,721	1,291,313
2033	900,395	391,891	1,292,286
2034	944,198	346,872	1,291,070
2035	992,868	299,662	1,292,530
2036	1,041,538	250,018	1,291,556
2037	1,082,908	208,356	1,291,264
2038	1,126,710	165,040	1,291,750
2039	1,170,514	119,972	1,290,486
2040	1,227,372	61,446	1,288,818
	<u>\$ 13,691,759</u>	<u>5,677,918</u>	<u>19,369,677</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
STATE REVOLVING LOAN
ISSUED DECEMBER 13, 2019
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 578,928	141,096	720,024
2027	586,200	133,824	720,024
2028	593,580	126,444	720,024
2029	601,032	118,992	720,024
2030	608,592	111,432	720,024
2031	616,248	103,776	720,024
2032	623,988	96,036	720,024
2033	631,836	88,188	720,024
2034	639,780	80,244	720,024
2035	647,820	72,204	720,024
2036	655,968	64,056	720,024
2037	664,212	55,812	720,024
2038	672,564	47,460	720,024
2039	681,024	39,000	720,024
2040	689,580	30,444	720,024
2041	698,256	21,768	720,024
2042	707,028	12,996	720,024
2043	655,839	4,102	659,941
	<u>\$ 11,552,475</u>	<u>1,347,874</u>	<u>12,900,349</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2022
ISSUED MAY 4, 2022
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 810,000	926,700	1,736,700
2027	850,000	886,200	1,736,200
2028	895,000	843,700	1,738,700
2029	940,000	798,950	1,738,950
2030	985,000	751,950	1,736,950
2031	1,035,000	702,699	1,737,699
2032	1,085,000	650,950	1,735,950
2033	1,140,000	596,700	1,736,700
2034	1,195,000	539,700	1,734,700
2035	1,255,000	479,950	1,734,950
2036	1,319,996	417,200	1,737,196
2037	1,375,000	364,400	1,739,400
2038	1,430,000	309,400	1,739,400
2039	1,485,000	252,200	1,737,200
2040	1,545,000	192,800	1,737,800
2041	1,605,000	131,000	1,736,000
2042	1,670,000	66,800	1,736,800
	<u>\$ 20,619,996</u>	<u>8,911,299</u>	<u>29,531,295</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
GENERAL OBLIGATION BONDS, SERIES 2019
ISSUED FEBRUARY 27, 2019
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 75,000	60,500	135,500
2027	80,000	56,750	136,750
2028	80,000	52,750	132,750
2029	85,000	48,750	133,750
2030	90,000	44,500	134,500
2031	95,000	40,000	135,000
2032	100,000	36,200	136,200
2033	100,000	32,200	132,200
2034	105,000	28,200	133,200
2035	110,000	24,000	134,000
2036	115,000	19,600	134,600
2037	120,000	15,000	135,000
2038	125,000	10,200	135,200
2039	130,000	5,200	135,200
	<u>\$ 1,410,000</u>	<u>473,850</u>	<u>1,883,850</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
GENERAL OBLIGATION BONDS, SERIES 2020
ISSUED DECEMBER 15, 2020
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 30,000	29,900	59,900
2027	35,000	28,400	63,400
2028	35,000	26,650	61,650
2029	35,000	24,900	59,900
2030	35,000	23,150	58,150
2031	40,000	21,400	61,400
2032	40,000	19,800	59,800
2033	45,000	18,200	63,200
2034	45,000	16,400	61,400
2035	45,000	14,600	59,600
2036	50,000	12,800	62,800
2037	50,000	10,800	60,800
2038	50,000	8,800	58,800
2039	55,000	6,800	61,800
2040	55,000	4,600	59,600
2041	60,000	2,400	62,400
	<u>\$ 705,000</u>	<u>269,600</u>	<u>974,600</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
GENERAL OBLIGATION BONDS, SERIES 2013
ISSUED MAY 30, 2013
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 290,000	91,812	381,812
2027	295,000	84,563	379,563
2028	305,000	76,819	381,819
2029	315,000	67,669	382,669
2030	320,000	58,219	378,219
2031	335,000	47,419	382,419
2032	345,000	36,112	381,112
2033	355,000	24,469	379,469
2034	370,000	12,486	382,486
	<u>\$ 2,930,000</u>	<u>499,568</u>	<u>3,429,568</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
GENERAL OBLIGATION BONDS, SERIES 2020
ISSUED DECEMBER 15, 2020
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 93,000	89,490	182,490
2027	96,000	84,840	180,840
2028	102,000	80,040	182,040
2029	108,000	74,940	182,940
2030	114,000	69,540	183,540
2031	120,000	63,840	183,840
2032	123,000	59,040	182,040
2033	129,000	54,120	183,120
2034	132,000	48,960	180,960
2035	138,000	43,680	181,680
2036	144,000	38,160	182,160
2037	150,000	32,400	182,400
2038	156,000	26,400	182,400
2039	162,000	20,160	182,160
2040	168,000	13,680	181,680
2041	174,000	6,960	180,960
	<u>\$ 2,109,000</u>	<u>806,250</u>	<u>2,915,250</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
GENERAL OBLIGATION BONDS, SERIES 2022
ISSUED MAY 4, 2022
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 95,000	110,950	205,950
2027	100,000	106,200	206,200
2028	105,000	101,200	206,200
2029	110,000	95,950	205,950
2030	120,000	90,450	210,450
2031	125,000	84,450	209,450
2032	130,000	78,200	208,200
2033	135,000	71,700	206,700
2034	145,000	64,950	209,950
2035	150,000	57,700	207,700
2036	160,000	50,200	210,200
2037	165,000	43,800	208,800
2038	170,000	37,200	207,200
2039	180,000	30,400	210,400
2040	185,000	23,200	208,200
2041	195,000	15,800	210,800
2042	200,000	8,000	208,000
	<u>\$ 2,470,000</u>	<u>1,070,350</u>	<u>3,540,350</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION BONDS TO BE REPAYED FROM ENTERPRISE FUNDS
ANNUAL DEBT SERVICE REQUIREMENTS – ALL BUSINESS-TYPE ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 5,792,286	3,505,195	9,297,481
2027	5,481,564	3,262,506	8,744,070
2028	5,702,289	3,049,192	8,751,481
2029	5,911,566	2,822,508	8,734,074
2030	6,069,216	2,586,660	8,655,876
2031	6,366,091	2,340,157	8,706,248
2032	4,843,580	2,089,984	6,933,564
2033	5,036,231	1,900,168	6,936,399
2034	5,230,978	1,702,075	6,933,053
2035	5,103,688	1,495,608	6,599,296
2036	5,281,502	1,293,246	6,574,748
2037	5,462,120	1,107,480	6,569,600
2038	5,640,274	914,900	6,555,174
2039	5,838,538	714,294	6,552,832
2040	5,019,952	494,483	5,514,435
2041	3,932,256	307,428	4,239,684
2042	3,802,028	175,296	3,977,324
2043	1,930,839	48,727	1,979,566
	<u>\$ 92,444,998</u>	<u>29,809,907</u>	<u>122,254,905</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS
NOTES TO BE REPAYED FROM ENTERPRISE FUNDS
LIMESTONE COVE
ISSUED MARCH 13, 2003
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 12,453	12,771	25,224
2027	13,042	12,182	25,224
2028	13,661	11,563	25,224
2029	14,309	10,915	25,224
2030	14,987	10,238	25,225
2031	15,697	9,526	25,223
2032	16,441	8,782	25,223
2033	17,220	8,004	25,224
2034	18,035	7,187	25,222
2035	18,890	6,334	25,224
2036	19,785	5,440	25,225
2037	20,722	4,502	25,224
2038	21,704	3,521	25,225
2039	22,732	2,491	25,223
2040	23,809	1,416	25,225
2041	17,525	325	17,850
	<u>\$ 281,012</u>	<u>115,197</u>	<u>396,209</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS
NOTES TO BE REPAID FROM ENTERPRISE FUNDS
WATAUGA FLATS
ISSUED APRIL 20, 2004
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 10,123	10,445	20,568
2027	10,575	9,993	20,568
2028	11,021	9,547	20,568
2029	11,539	9,029	20,568
2030	12,054	8,514	20,568
2031	12,592	7,976	20,568
2032	13,134	7,434	20,568
2033	13,740	6,828	20,568
2034	14,354	6,314	20,668
2035	14,994	5,574	20,568
2036	15,651	4,917	20,568
2037	16,362	4,206	20,568
2038	17,093	3,475	20,568
2039	17,856	2,712	20,568
2040	18,648	1,920	20,568
2041	19,485	1,083	20,568
2042	14,109	244	14,353
	<u>\$ 243,330</u>	<u>100,211</u>	<u>343,541</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS
NOTES TO BE REPAYED FROM ENTERPRISE FUNDS
LIMESTONE COVE
ISSUED APRIL 20, 2005
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 3,199	3,449	6,648
2027	3,338	3,310	6,648
2028	3,474	3,174	6,648
2029	3,633	3,015	6,648
2030	3,790	2,858	6,648
2031	3,955	2,693	6,648
2032	4,119	2,529	6,648
2033	4,304	2,344	6,648
2034	4,491	2,157	6,648
2035	4,686	1,962	6,648
2036	4,884	1,764	6,648
2037	5,100	1,548	6,648
2038	5,321	1,327	6,648
2039	5,552	1,096	6,648
2040	5,790	858	6,648
2041	6,044	604	6,648
2042	6,307	342	6,649
2043	4,617	78	4,695
	<u>\$ 82,604</u>	<u>35,108</u>	<u>117,712</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS
NOTES TO BE REPAID FROM ENTERPRISE FUNDS
ARRA GREGGTOWN
ISSUED JANUARY 24, 2010
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 9,817	10,187	20,004
2027	10,141	9,863	20,004
2028	10,449	9,555	20,004
2029	10,820	9,184	20,004
2030	11,177	8,827	20,004
2031	11,546	8,458	20,004
2032	11,904	8,100	20,004
2033	12,319	7,685	20,004
2034	12,726	7,278	20,004
2035	13,145	6,859	20,004
2036	13,561	6,443	20,004
2037	14,026	5,978	20,004
2038	14,489	5,515	20,004
2039	14,967	5,037	20,004
2040	15,449	4,556	20,005
2041	15,970	4,034	20,004
2042	16,497	3,507	20,004
2043	17,041	2,963	20,004
2044	17,597	2,407	20,004
2045	18,184	1,820	20,004
2046	18,784	1,220	20,004
2047	19,404	600	20,004
2048	7,894	62	7,956
	<u>\$ 317,907</u>	<u>130,138</u>	<u>448,045</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS
NOTES TO BE REPAID FROM ENTERPRISE FUNDS
ANNUAL DEBT SERVICE REQUIREMENTS – ALL BUSINESS-TYPE ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 35,592	36,852	72,444
2027	37,096	35,348	72,444
2028	38,605	33,839	72,444
2029	40,301	32,143	72,444
2030	42,008	30,437	72,445
2031	43,790	28,653	72,443
2032	45,598	26,845	72,443
2033	47,583	24,861	72,444
2034	49,606	22,936	72,542
2035	51,715	20,729	72,444
2036	53,881	18,564	72,445
2037	56,210	16,234	72,444
2038	58,607	13,838	72,445
2039	61,107	11,336	72,443
2040	63,696	8,750	72,446
2041	59,024	6,046	65,070
2042	36,913	4,093	41,006
2043	21,658	3,041	24,699
2044	17,597	2,407	20,004
2045	18,184	1,820	20,004
2046	18,784	1,220	20,004
2047	19,404	600	20,004
2048	7,894	62	7,956
	<u>\$ 924,853</u>	<u>380,654</u>	<u>1,305,507</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
For the Year Ended June 30, 2025

	<u>Original Amount Issued</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding July 1, 2024</u>	<u>Issued During Period</u>	<u>Paid / Matured During Period</u>	<u>Outstanding June 30, 2025</u>
GOVERNMENTAL ACTIVITIES:								
<u>LEASES PAYABLE</u>								
Payable Through the General Fund:								
Building - Family Justice Center	\$ 266,996	4.85%	6/8/2021	5/8/2026	\$ 162,880	-	53,274	109,606
Building - Tweetsie Trail Restrooms	30,936	7.50%	1/1/2025	12/31/2039	-	30,936	758	30,178
Total Leases Payable Through the General Fund					<u>162,880</u>	<u>30,936</u>	<u>54,032</u>	<u>139,784</u>
Total Governmental Activities Leases Payable Outstanding								<u>\$ 139,784</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF LEASE OBLIGATIONS PRINCIPAL AND INTEREST REQUIREMENTS
LEASES TO BE REPAYED FROM GOVERNMENTAL FUNDS
FAMILY JUSTICE CENTER BUILDING LEASE - ISSUED JUNE 8, 2021
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 55,916	4,084	60,000
2027	53,690	1,311	55,001
	\$ 109,606	5,395	115,001

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF LEASE OBLIGATIONS PRINCIPAL AND INTEREST REQUIREMENTS
LEASES TO BE REPAYED FROM GOVERNMENTAL FUNDS
TWEETSIE TRAIL RESTROOMS – ISSUED JANUARY 1, 2025
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 1,197	2,223	3,420
2027	1,290	2,130	3,420
2028	1,390	2,030	3,420
2029	1,498	1,922	3,420
2030	1,615	1,805	3,420
2031	1,740	1,680	3,420
2032	1,875	1,545	3,420
2033	2,021	1,399	3,420
2034	2,177	1,243	3,420
2035	2,347	1,073	3,420
2036	2,529	891	3,420
2037	2,725	695	3,420
2038	2,937	483	3,420
2039	3,164	256	3,420
2040	1,673	37	1,710
	<u>\$ 30,178</u>	<u>19,412</u>	<u>49,590</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF LEASE OBLIGATIONS PRINCIPAL AND INTEREST REQUIREMENTS
LEASES TO BE REPAYED FROM GOVERNMENTAL FUNDS
ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS - ALL GOVERNMENTAL LEASES
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 57,113	6,307	63,420
2027	54,980	3,441	58,421
2028	1,390	2,030	3,420
2029	1,498	1,922	3,420
2030	1,615	1,805	3,420
2031	1,740	1,680	3,420
2032	1,875	1,545	3,420
2033	2,021	1,399	3,420
2034	2,177	1,243	3,420
2035	2,347	1,073	3,420
2036	2,529	891	3,420
2037	2,725	695	3,420
2038	2,937	483	3,420
2039	3,164	256	3,420
2040	1,673	37	1,710
	<u>\$ 139,784</u>	<u>24,807</u>	<u>164,591</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES
June 30, 2025

Tax Year	Uncollected Delinquent Taxes June 30, 2025
2024	954,486
2023	327,748
2022	23,016
2021	78,237
2020	60,280
2019	65,234
2018	67,459
2017	46,087
2016	42,481
2015	66,356
2014	127,857
Total	\$1,859,240

Uncollected Delinquent Taxes Filed in Chancery Court:

As of April 1, 2024, the above delinquent real property taxes for 2013 through 2022 have been filed by the Delinquent Tax Attorney in Washington County Chancery Court.

As of April 1, 2024, the above delinquent personal property taxes for 2013 through 2023 have been filed by the Delinquent Tax Attorney in Washington County Chancery Court.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
UTILITY RATE STRUCTURE & NUMBER OF CUSTOMERS
June 30, 2025

<u>Water Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	\$5.95	\$10.54
0 - 20,000 Gallons Used	\$4.65 / 1,000 gal.	\$8.22/ 1,000 gal.
20,001 - 190,000 Gallons Used	\$3.72/ 1,000 gal.	\$6.58 / 1,000 gal.
190,000 - 490,000 Gallons Used	\$3.35/ 1,000 gal.	\$5.92/ 1,000 gal.
Over 490,000 Gallons Used	\$3.02 / 1,000 gal.	\$5.34 / 1,000 gal.
<u>Sewer Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	\$6.98	\$13.09
0 - 20,000 Gallons Used	\$7.42 / 1,000 gal.	\$13.12/ 1,000 gal.
20,001 - 190,000 Gallons Used	\$7.42 / 1,000 gal.	\$13.12 / 1,000 gal.
190,000 - 490,000 Gallons Used	\$7.42 / 1,000 gal.	\$13.12/ 1,000 gal.
Over 490,000 Gallons Used	\$7.42 / 1,000 gal.	\$13.12 / 1,000 gal.
<u>Residential Collection Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Collection at Roadside	\$13 / mon.	\$19 / mon.
Collection at Door	\$28 / mon.	\$30 / mon.
Additional Carts-Inside City ⁴	\$2.50/mon.*	-
Two Carts-Outside City	-	\$28.50 / mon.
Three Carts-Outside City	-	\$57 / mon.
<u>Commercial Collection Rates:</u>	<u>Inside City¹</u>	<u>Outside City²</u>
4 yard ³	\$75.00 mon.	\$95 .00/ mon.
6 yard ³	\$90.00 / mon.	\$110.00 / mon.
8 yard ³	\$110.00 / mon.	\$125.00 / mon.
Each Commercial Cart-Inside City	\$18/mon.	-
Additional Carts-Inside City ⁴	\$2.50/mon.*	-
One Cart-Outside City	-	\$19 / mon.
Two Carts-Outside City	-	\$28.50 / mon.
Three Carts-Outside City	-	\$57 / mon.
<u>Number of Customers:</u>	<u>Inside City</u>	<u>Outside City</u>
Water	29,726	18,887
Sewer	25,964	5,155
Solid Waste ⁵	22,151	15,094
<u>Unaccounted for Water⁶:</u>	<u>Million Gallons</u>	<u>% of Total Gallons</u>
Water supplied	5,755	100.00%
Billed metered water	3,601	62.58%
Non-revenue water	2,152	37.40%

Sources: City of Johnson City Water/Sewer and Solid Waste Departments

¹Does not include dumpster which can be purchased or rented.

²Includes dumpster which is furnished.

³Rates based on one collection per week.

⁴Decal purchased annually for \$30 or prorated depending on purchase date.

⁵Does not include RO garbage pulls or any container rentals. Does include all residential and commercial accour

⁶Additional details available on Schedule of Unaccounted for Water

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
Last Ten Fiscal Years

Tax Year	Property Tax Receivable Balance June 30, 2024	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Net Receivable Balance June 30, 2025
2025	\$ -	\$ -	\$ 44,882,152	\$ -	\$ -	\$ 44,882,152
2024	43,812,576	-		(15,986)	42,842,103	954,486
2023	805,248			(16,329)	461,171	327,748
2022	143,697			(28)	120,653	23,017
2021	83,230			(97)	4,896	78,237
2020	70,958				10,678	60,280
2019	68,210			(231)	2,745	65,234
2018	74,308				6,849	67,459
2017	48,844				2,757	46,086
2016	44,938				2,457	42,481
2015	67,322				967	66,356
Totals	\$ 45,219,331	\$ -	\$ 44,882,152	\$ (32,672)	\$ 43,455,276	\$ 46,613,535

Source: City of Johnson City Finance Department

Notes: All uncollected real property taxes for years 2022 and prior, and all uncollected personal property taxes for years 2023 and prior, have been turned over to the County Clerk and Master for collection. Balance Sheet also includes Penalty and Interest Receivable of \$79,101.65, as well as the 2013 tax year per State Statute.

See Independent Auditors' Report.

STATISTICAL SECTION

This part of the City of Johnson City, Tennessee annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents:	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	266
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	273
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	277
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	282
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	285
Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report for the relevant year.	

CITY OF JOHNSON CITY, TENNESSEE
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Governmental Activities										
Net investment in capital assets	\$ 149,886,448	\$ 157,267,474	\$ 172,294,598	\$ 164,348,526	\$ 158,376,815	\$ 134,543,008	\$ 168,891,753	\$ 188,193,142	\$ 197,899,353	\$ 207,607,063
Restricted	178,170	176,435	176,874	177,879	180,143	14,479,366	129,173,093	55,940,252	22,990,968	29,519,594
Unrestricted	<u>32,678,464</u>	<u>40,665,388</u>	<u>12,587,156</u>	<u>19,165,626</u>	<u>21,995,717</u>	<u>47,603,549</u>	<u>(58,484,837)</u>	<u>24,511,814</u>	<u>56,041,247</u>	<u>22,135,722</u>
Total Governmental Activities Net Position	<u>\$ 182,743,082</u>	<u>\$ 198,109,297</u>	<u>\$ 185,058,628</u>	<u>\$ 183,692,031</u>	<u>\$ 180,552,675</u>	<u>\$ 196,625,923</u>	<u>\$ 239,580,009</u>	<u>\$ 268,645,208</u>	<u>\$ 276,931,568</u>	<u>\$ 259,262,379</u>
Business-Type Activities										
Net investment in capital assets	\$ 268,916,812	\$ 125,239,905	\$ 130,448,631	\$ 129,639,300	\$ 137,501,779	\$ 150,129,222	\$ 173,472,721	\$ 188,490,434	\$ 195,184,264	\$ 203,939,904
Restricted	-	-	-	-	-	-	32,540,576	24,478,770	-	-
Unrestricted	<u>50,791,850</u>	<u>27,662,897</u>	<u>31,319,161</u>	<u>36,879,107</u>	<u>38,739,194</u>	<u>38,248,088</u>	<u>(2,690,645)</u>	<u>(3,280,858)</u>	<u>30,462,052</u>	<u>25,578,682</u>
Total Business-Type Activities Net Position	<u>\$ 319,708,662</u>	<u>\$ 152,902,802</u>	<u>\$ 161,767,792</u>	<u>\$ 166,518,407</u>	<u>\$ 176,240,973</u>	<u>\$ 188,377,310</u>	<u>\$ 203,322,652</u>	<u>\$ 209,688,346</u>	<u>\$ 225,646,316</u>	<u>\$ 229,518,586</u>
Primary Government										
Net investment in capital assets	\$ 418,803,260	\$ 282,507,379	\$ 302,743,229	\$ 293,987,826	\$ 295,878,594	\$ 284,672,230	\$ 342,364,474	\$ 376,683,576	\$ 393,083,617	\$ 411,546,967
Restricted	178,170	176,435	176,874	177,879	4,150,369	14,479,366	161,713,669	80,419,022	22,990,968	29,519,594
Unrestricted	<u>83,470,314</u>	<u>68,328,285</u>	<u>43,906,317</u>	<u>56,044,733</u>	<u>56,764,685</u>	<u>85,851,637</u>	<u>(61,175,482)</u>	<u>21,230,956</u>	<u>86,503,299</u>	<u>47,714,404</u>
Total Primary Government Net Position	<u>\$ 502,451,744</u>	<u>\$ 351,012,099</u>	<u>\$ 346,826,420</u>	<u>\$ 350,210,438</u>	<u>\$ 356,793,648</u>	<u>\$ 385,003,233</u>	<u>\$ 442,902,661</u>	<u>\$ 478,333,554</u>	<u>\$ 502,577,884</u>	<u>\$ 488,780,965</u>

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
<u>Governmental Activities:</u>										
General Government	\$ 4,335,325	\$ 9,643,114	\$ 12,786,476	\$ 13,076,213	\$ 24,016,203	\$ 15,279,090	\$ 3,908,813	\$ 27,047,004	\$ 32,040,022	\$ 31,379,868
Public Safety	32,305,227	31,610,552	33,343,553	27,295,207	28,292,328	29,131,902	30,094,302	32,738,422	35,340,509	39,413,096
Public Works	14,902,679	14,606,024	15,033,350	20,314,023	19,200,148	21,848,091	19,465,588	22,852,072	24,208,254	25,256,949
Parks, Recreation, Culture, Leisure	12,194,483	12,698,212	13,221,906	18,332,604	9,657,046	9,016,445	11,496,806	13,055,370	14,480,979	14,486,352
City Services	3,973,106	1,753,732	1,976,917	1,121,716	1,085,236	1,702,606	1,887,669	1,395,979	1,736,182	1,456,377
Education	69,976,221	73,857,226	74,537,135	83,153,479	86,422,316	92,698,132	95,625,942	94,708,514	111,076,259	109,882,822
Interest on Long-Term Debt	4,073,142	4,432,551	4,420,521	4,387,397	3,544,442	2,559,420	3,074,680	5,084,886	4,768,448	4,768,988
Total Governmental Activities	141,760,183	148,601,411	155,319,858	167,680,639	172,217,719	172,235,686	165,553,800	196,882,247	223,650,652	226,644,452
<u>Business-Type Activities:</u>										
Water and Sewer	27,613,936	27,669,083	27,588,826	28,583,025	29,548,812	30,066,813	30,671,877	36,066,703	37,537,356	39,939,732
City Solid Waste	8,476,506	8,725,010	9,348,989	9,734,302	10,187,184	10,645,004	11,066,084	13,757,599	14,397,642	15,048,094
Regional Solid Waste	2,499,989	2,540,729	2,634,499	2,937,745	2,991,546	3,162,510	3,325,840	4,285,474	4,456,817	4,285,239
Johnson City Power Board	177,636,443	330,100,133	-	-	-	-	-	-	-	-
Public Building Authority	1,784,026	1,610,582	1,410,549	7,068,931	7,637	21,736	356,103	345,064	-	-
Mass Transit	3,955,165	4,117,623	4,188,160	4,177,655	4,292,431	4,214,610	4,080,913	4,912,319	5,291,673	5,343,069
Stormwater Management	1,128,609	1,312,675	1,397,362	1,825,497	1,611,177	1,768,031	1,601,201	1,817,915	1,868,365	2,160,127
Golf Courses	1,131,202	1,366,224	1,118,089	-	-	-	-	-	-	-
Total Business-Type Activities	224,225,876	377,442,059	47,686,474	54,327,155	48,638,787	49,878,704	51,102,018	61,185,074	63,551,853	66,776,261
Total Expenses	\$ 365,986,059	\$ 526,043,470	\$ 203,006,332	\$ 222,007,794	\$ 220,856,506	\$ 222,114,390	\$ 216,655,818	\$ 258,067,321	\$ 287,202,505	\$ 293,420,713
Program Revenues										
<u>Governmental Activities:</u>										
<u>Charges for Services:</u>										
Public Safety	\$ 1,789,489	\$ 1,669,156	\$ 1,541,428	\$ 1,627,813	\$ 1,401,486	\$ 1,779,428	\$ 1,464,236	\$ 1,201,125	\$ 903,868	\$ 818,947
City Services	4,151,713	2,974,679	2,666,451	3,152,202	2,313,929	1,894,727	4,937,876	5,258,096	5,768,703	5,914,011
Education	2,728,801	2,592,278	2,648,631	2,837,113	2,659,394	4,478,993	4,745,968	6,995,659	5,941,959	5,924,356
Other Activities	2,960,484	2,901,925	3,335,874	3,355,935	3,278,202	3,315,981	3,763,937	3,608,963	4,320,593	4,498,148
Operating Grants and Contributions	40,988,489	43,451,171	44,780,548	46,072,045	46,776,092	57,043,975	62,747,780	63,878,651	66,277,124	67,351,104
Capital Grants and Contributions	2,333,757	5,825,912	12,769,039	1,506,284	390,647	111,000	1,539,509	5,142,668	4,533,392	4,229,195
Total Governmental Activities	54,952,733	59,415,121	67,741,971	58,551,392	56,819,750	68,624,104	79,199,306	86,085,162	87,745,639	88,735,761
<u>Business-Type Activities:</u>										
<u>Charges for Services:</u>										
Water and Sewer	34,578,056	35,384,686	35,279,454	37,120,170	37,450,215	39,136,652	41,936,030	43,488,896	42,297,598	44,144,661
City Solid Waste	9,418,453	9,920,132	10,126,509	10,731,221	10,810,713	11,089,912	12,150,591	13,955,136	14,107,203	14,532,924
Johnson City Power Board	186,860,746	154,193,474	-	-	-	-	-	-	-	-
Other Activities	6,628,788	6,600,708	6,579,202	5,946,855	6,557,310	6,987,779	7,390,897	8,005,444	8,127,146	8,316,399
Operating Grants and Contributions	2,488,746	2,831,403	2,609,938	2,632,075	3,050,073	3,116,706	3,007,815	2,768,613	2,981,948	3,585,011
Capital Grants and Contributions	1,571,898	413,391	350,697	2,086,154	678,522	1,669,951	1,610,039	450,959	9,034,457	2,807,170
Total Business-Type Activities	241,546,687	209,343,794	54,945,800	58,516,475	58,546,833	62,001,000	66,095,372	68,669,048	76,548,352	73,386,165
Total Program Revenues	\$ 296,499,420	\$ 268,758,915	\$ 122,687,771	\$ 117,067,867	\$ 115,366,583	\$ 130,625,104	\$ 145,294,678	\$ 154,754,210	\$ 164,293,991	\$ 162,121,926

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net (Expense)/Revenue										
Governmental Activities	\$ (86,807,450)	\$ (89,186,290)	\$ (87,577,887)	\$ (109,129,247)	\$ (115,397,969)	\$ (103,611,582)	\$ (86,354,494)	\$ (110,797,085)	\$ (135,905,013)	\$ (137,908,691)
Business-Type Activities	17,320,811	(168,098,265)	7,259,326	4,189,320	9,908,046	12,122,296	14,993,354	7,483,974	12,996,499	6,609,904
Total Net Expense	\$ (69,486,639)	\$ (257,284,555)	\$ (80,318,561)	\$ (104,939,927)	\$ (105,489,923)	\$ (91,489,286)	\$ (71,361,140)	\$ (103,313,111)	\$ (122,908,514)	\$ (131,298,787)
General Revenues										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 48,996,724	\$ 50,416,299	\$ 54,104,970	\$ 55,483,051	\$ 55,130,602	\$ 55,556,523	\$ 56,562,922	\$ 58,190,295	\$ 63,269,446	\$ 63,276,599
Sales Taxes	41,079,414	42,264,409	43,200,014	44,509,947	45,790,641	51,994,687	60,392,012	64,723,969	64,583,875	67,313,381
Other Taxes	9,701,055	10,561,841	10,477,633	10,386,080	10,002,418	10,371,572	12,096,780	13,249,158	12,981,734	14,005,235
Unrestricted Investment Earnings	769,385	810,117	1,056,146	1,195,844	814,783	510,200	355,087	2,722,834	3,551,425	2,539,727
Miscellaneous	5,810	6,940	16,002	6,370	6,326	4,260	34,224	8,490	1,253,932	304,272
Transfers	484,629	492,899	(798,453)	(89,229)	513,843	(249)	1,472	970,790	(2,855,766)	1,713,326
Extraordinary Item-Legal Settlement	-	-	-	-	-	-	-	-	-	(27,000,000)
Total Governmental Activities	101,037,017	104,552,505	108,056,312	111,492,063	112,258,613	118,436,993	129,442,497	139,865,536	142,784,646	122,152,540
Business-Type Activities:										
Unrestricted Investment Earnings	644,620	584,609	475,413	450,746	136,114	1,276	(46,540)	(147,490)	97,438	63,517
Miscellaneous	11,476	253,494	331,798	21,320	192,249	12,516	-	-	8,267	-
Transfers	(484,629)	(492,899)	798,453	89,229	(513,843)	249	(1,472)	(970,790)	2,855,766	(1,713,326)
Total Business-Type Activities	171,467	345,204	1,605,664	561,295	(185,480)	14,041	(48,012)	(1,118,280)	2,961,471	(1,649,809)
Total Primary Government	\$ 101,208,484	\$ 104,897,709	\$ 109,661,976	\$ 112,053,358	\$ 112,073,133	\$ 118,451,034	\$ 129,394,485	\$ 138,747,256	\$ 145,746,117	\$ 120,502,731
Change in Net Position										
Governmental Activities	\$ 14,229,567	\$ 15,366,215	\$ 20,478,425	\$ 2,362,816	\$ (3,139,356)	\$ 14,825,411	\$ 43,088,003	\$ 29,068,451	\$ 6,879,633	\$ (15,756,151)
Business-Type Activities	17,492,278	(167,753,061)	8,864,990	4,750,615	9,722,566	12,136,337	14,945,342	6,365,694	15,957,970	4,960,095
Total Change in Net Position	\$ 31,721,845	\$ (152,386,846)	\$ 29,343,415	\$ 7,113,431	\$ 6,583,210	\$ 26,961,748	\$ 58,033,345	\$ 35,434,145	\$ 22,837,603	\$ (10,796,056)

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	In-Lieu of Tax	Local Sales Tax	State Sales Tax	Business Tax	Beer Tax	Local Liquor Tax	Room Occupancy Tax	Franchise Tax	Telephone/Cable Tax	Other Taxes	Total
2016	46,033,026	2,963,698	35,971,479	5,107,935	2,270,973	2,166,272	777,946	2,007,870	492,083	802,123	1,183,788	99,777,193
2017	47,059,759	3,356,540	37,030,484	5,233,925	2,395,568	2,203,174	727,966	2,259,568	682,111	680,377	1,613,077	103,242,549
2018	47,691,286	6,413,684	37,817,911	5,382,103	2,444,271	2,198,827	684,360	2,135,805	680,162	791,000	1,543,208	107,782,617
2019	48,943,394	6,539,657	38,908,894	5,601,053	2,434,884	2,057,020	776,488	2,265,923	584,651	774,999	1,492,115	110,379,078
2020	48,414,530	6,716,072	40,037,172	5,753,469	2,492,158	2,051,323	883,091	2,016,288	588,739	771,884	1,198,935	110,923,661
2021	48,746,674	6,809,849	45,402,001	6,592,686	2,774,444	2,129,561	984,722	1,905,962	572,178	727,009	1,277,696	117,922,782
2022	49,736,053	6,826,869	52,358,363	8,033,649	3,170,557	2,148,162	957,690	2,936,121	790,494	733,965	1,359,791	129,051,714
2023	50,556,803	7,394,569	56,271,947	8,452,522	3,566,213	2,078,518	1,043,572	3,414,407	741,107	801,602	1,567,058	135,888,318
2024	56,320,355	6,337,576	55,858,452	8,725,423	3,265,093	1,955,856	1,047,597	3,256,476	622,748	585,501	1,554,562	139,529,639
2025	56,538,234	6,738,365	58,348,226	8,965,155	4,010,960	1,959,396	1,017,720	3,936,688	802,976	489,598	1,787,897	144,595,215

Source: City of Johnson City Finance Department

CITY OF JOHNSON CITY, TENNESSEE
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General Fund										
Non-Spendable	\$ -	\$ -	\$ -	\$ 69,156	\$ 72,979	\$ 85,520	\$ 96,946	\$ 130,997	\$ 165,769	\$ 226,965
Restricted	12,679,649	12,979,083	13,857,735	13,982,936	14,032,169	17,108,185	26,535,876	21,303,159	22,545,418	874,056
Committed	1,714,572	1,527,408	2,086,485	2,799,971	2,762,976	3,830,691	5,659,625	6,843,678	7,928,182	23,797,747
Assigned	3,180,670	3,276,728	3,567,788	3,872,171	4,037,445	4,339,826	4,524,298	4,725,820	4,884,843	6,467,913
Unassigned	4,852,157	7,588,895	7,445,296	10,442,643	14,214,948	20,073,998	16,129,303	24,574,831	19,338,626	-
Total General Fund	<u>\$ 22,427,048</u>	<u>\$ 25,372,114</u>	<u>\$ 26,957,304</u>	<u>\$ 31,166,877</u>	<u>\$ 35,120,517</u>	<u>\$ 45,438,220</u>	<u>\$ 52,946,048</u>	<u>\$ 57,578,485</u>	<u>\$ 54,862,838</u>	<u>\$ 31,366,681</u>
All Other Governmental Funds										
Non-Spendable	\$ 415,652	\$ 452,683	\$ 479,673	\$ 490,842	\$ 603,248	\$ 599,705	\$ 456,760	\$ 397,961	\$ 268,512	\$ 229,365
Restricted	17,406,094	24,615,974	29,107,085	20,547,758	11,338,923	29,823,407	76,600,631	47,712,843	35,047,071	8,889,349
Committed	517,952	322,079	582,994	645,856	347,975	316,060	545,246	1,893,288	1,359,913	16,349,466
Assigned	5,829,418	5,612,503	5,889,801	7,300,743	7,996,495	11,151,184	10,642,295	17,924,222	15,633,245	16,443,245
Unassigned	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 24,169,116</u>	<u>\$ 31,003,239</u>	<u>\$ 36,059,553</u>	<u>\$ 28,985,199</u>	<u>\$ 20,286,641</u>	<u>\$ 41,890,356</u>	<u>\$ 88,244,932</u>	<u>\$ 67,928,314</u>	<u>\$ 52,308,741</u>	<u>\$ 41,911,425</u>

Source: City of Johnson City Finance Department

CITY OF JOHNSON CITY, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues:											
Taxes	\$ 85,081,967	\$ 93,279,948	\$ 96,278,500	\$ 100,949,681	\$ 103,172,357	\$ 104,256,784	\$ 110,207,351	\$ 119,610,404	\$ 126,130,793	\$ 130,269,290	\$ 133,602,450
Licenses and Permits	776,698	833,884	835,364	836,686	796,649	878,950	1,032,445	1,104,258	1,165,088	1,339,541	1,596,192
Intergovernmental	48,607,550	50,315,913	55,196,783	64,518,474	54,570,292	53,966,535	65,072,198	73,678,824	79,026,666	81,168,758	81,190,694
Charges for Services	3,095,598	3,702,978	3,628,029	3,821,724	4,065,044	3,824,575	4,252,566	3,989,329	4,923,706	4,818,625	4,922,203
Fines and Forfeitures	1,630,708	1,660,670	1,610,416	1,449,455	1,398,916	1,324,562	971,067	1,072,142	816,016	727,066	689,546
Use of Property	2,453,149	3,741,016	2,681,428	2,351,103	2,822,621	2,079,377	1,650,825	3,919,405	4,308,750	4,710,274	4,155,970
Investment Earnings	703,713	737,421	773,756	1,014,306	1,144,041	777,174	486,298	311,300	2,683,288	3,485,187	2,505,430
Miscellaneous	1,761,335	1,752,613	1,976,180	1,798,881	2,068,715	1,917,759	3,715,730	8,720,916	5,901,836	5,300,598	7,000,783
Total Revenues	144,110,718	156,024,443	162,980,456	176,740,310	170,038,635	169,025,716	187,388,480	212,406,578	224,956,143	231,819,339	235,663,268
Expenditures:											
General Government	10,848,901	11,670,070	13,106,067	14,090,259	14,505,704	16,197,625	16,038,866	17,605,335	24,048,308	24,879,853	25,570,317
Public Safety	25,482,244	25,474,069	25,825,505	26,653,821	26,638,085	27,574,172	28,408,995	29,393,791	32,026,510	34,461,942	37,998,756
Public Works	11,707,450	13,579,188	13,370,651	13,682,038	13,912,637	12,593,517	15,367,182	13,545,544	16,842,054	18,354,599	19,081,929
Parks, Recreation, Culture, Leisure	6,035,715	5,955,601	7,440,588	7,442,412	8,377,533	7,843,841	7,211,940	9,813,971	10,947,223	12,091,998	12,188,021
City Services	2,007,388	3,330,582	1,217,513	1,284,156	833,546	776,934	1,401,406	1,618,160	1,136,180	1,488,214	1,206,568
Education	67,619,069	69,571,178	73,648,389	74,287,608	76,104,927	78,925,763	85,080,796	88,317,040	95,516,635	102,874,095	104,771,822
Miscellaneous	5,000	7,000	4,800	4,250	-	-	-	-	-	-	-
Capital Outlay	10,587,147	14,864,040	26,225,574	15,202,240	22,331,962	16,710,161	14,445,818	30,160,849	48,956,556	36,996,912	28,337,470
Debt Service:											
Principal	8,570,964	9,217,182	10,885,598	10,134,338	10,185,740	10,449,115	8,278,931	10,037,842	11,422,727	11,493,475	11,851,547
Interest and Fiscal Fees	4,413,297	3,963,372	4,534,554	4,711,181	4,652,964	3,815,269	3,246,464	3,763,672	5,753,563	5,975,432	5,431,601
Other Charges	348,947	215,353	5,180,158	193,169	165,958	351,659	277,079	113,182	95,700	113,301	90,056
Total Expenditures	147,626,122	157,847,635	181,439,397	167,685,472	177,709,056	175,238,056	179,757,477	204,369,386	246,745,456	248,729,821	246,528,087
Excess (deficiency) of revenues over (under) expenditures	(3,515,404)	(1,823,192)	(18,458,941)	9,054,838	(7,670,421)	(6,212,340)	7,631,003	8,037,192	(21,789,313)	(16,910,482)	(10,864,819)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Other Financing Sources (Uses):											
Transfers (Net)	508,514	385,033	492,899	(2,596,257)	(1,094,905)	513,843	(249)	1,472	726,091	(3,231,672)	1,713,326
Contributions	-	-	-	-	-	-	-	-	-	-	-
Note Proceeds	2,727,592	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	4,300,516	-	-	-	6,296,716	-	-	-	-
Refunding Bond Payments	-	-	-	-	-	(23,857,877)	(6,875,699)	-	-	-	-
Bond Issuance	134,136	14,680,110	19,410,000	-	5,080,000	20,213,965	18,530,823	45,878,070	-	-	-
Premium on Bonds - Refunding	-	-	662,538	-	-	-	673,375	-	-	-	-
Premium on Bond Issuance	-	-	2,703,584	-	652,823	3,839,575	4,154,490	-	-	-	-
Bond Proceeds from Other Gov't	-	-	520,718	-	-	-	-	-	-	-	-
Drawdown on Previous Bond	-	-	18,510	-	-	-	-	-	-	-	-
Issuance of Leases	-	-	-	-	-	-	-	-	48,359	-	-
Issuance of Subscriptions	-	-	-	-	-	-	-	-	5,224,707	234,693	952,421
Sale of Property and Equipment	345,882	601,431	89,767	169,977	145,338	666,663	254,371	225,364	3,611	1,551,289	1,816,641
Total Other Financing Sources (Uses)	3,716,124	15,666,574	28,198,532	(2,426,280)	4,783,256	1,376,169	23,033,827	46,104,906	6,002,768	(1,445,690)	4,482,388
Extraordinary Item-Legal Settlement	-	-	-	-	-	-	-	-	-	-	(27,053,319)
Net Change in Fund Balances	\$ 200,720	\$ 13,843,382	\$ 9,739,591	\$ 6,628,558	\$ (2,887,165)	\$ (4,836,171)	\$ 30,664,830	\$ 54,142,098	\$ (15,786,545)	\$ (18,356,172)	\$ (33,435,750)
Debt Service as a Percentage of Noncapital Expenditures	9.5%	9.2%	9.9%	9.7%	9.6%	9.0%	7.0%	7.9%	8.7%	8.3%	7.9%

Source: City of Johnson City Finance Department

CITY OF JOHNSON CITY, TENNESSEE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Year	Real Property				Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
		Residential & Farm Property	Industrial & Commercial Property	Personal Property	Public Utility				
2016	2015	894,322,200	780,355,000	110,892,872	47,785,742	1,833,355,814	1.87	6,008,492,877	30.51%
2017	2016	898,799,800	798,558,600	128,527,419	49,677,344	1,875,563,163	1.87	6,028,691,817	31.11%
2018	2017	900,878,220	816,709,775	118,427,003	44,284,022	1,880,299,020	1.89	6,039,828,872	31.13%
2019	2018	904,621,575	829,503,520	117,170,861	42,946,986	1,894,242,942	1.89	6,202,530,538	30.54%
2020	2019	996,731,025	922,468,565	129,579,039	45,549,497	2,094,328,126	1.71	6,726,774,325	31.13%
2021	2020	1,004,984,125	921,290,360	134,969,007	46,841,383	2,108,084,875	1.71	6,775,214,984	31.11%
2022	2021	1,024,168,300	931,030,495	125,536,297	43,263,675	2,123,998,767	1.73	6,889,626,442	30.83%
2023	2022	1,045,522,035	956,469,275	133,653,068	45,767,567	2,181,411,945	1.73	7,057,238,996	30.91%
2024	2023	1,065,638,335	969,595,835	117,676,555	35,106,560	2,188,017,285	1.98	7,238,323,482	30.23%
2025	2024	1,746,873,705	1,238,042,720	163,272,783	57,348,795	3,205,538,003	1.35	10,631,993,712	30.15%

273 Source: City of Johnson City Finance Department; State Board of Equalization Tax Aggregate Report of Tennessee; County Assessment Summary

Note: Tax rates are per \$100 of assessed value

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
PROPERTY TAX RATES (per \$100 assessed value)
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Johnson City Direct Rates*	1.87	1.87	1.89	1.89	1.71	1.71	1.73	1.73	1.98	1.35
Washington County Direct Rates										
General	0.69	0.74	0.74	0.74	0.67	0.67	0.67	0.67	0.79	0.68
Upkeep (Highway)	0.15	0.15	0.15	0.16	0.14	0.14	0.14	0.14	0.14	0.09
General Purpose School	0.80	0.83	0.83	0.83	0.74	0.74	0.74	0.74	0.74	0.49
General Capital Projects	-	0.32	0.32	0.21	0.20	0.03	0.03	0.03	0.03	0.12
Education Capital Projects	-	-	-	-	-	0.17	0.17	0.17	0.17	0.05
Debt Service	0.32	0.32	0.32	0.41	0.37	0.37	0.37	0.37	0.25	0.25
Solid Waste/Sanitation	0.03	0.03	0.03	0.03	0.03	0.03	0.04	0.04	0.04	0.04
Total Direct Rate	1.98	2.38	2.38	2.38	2.15	2.15	2.15	2.15	2.15	1.71
Carter County Direct Rates										
General	1.02	0.99	1.00	1.14	1.05	1.08	0.91	0.91	1.06	1.07
Highway/Public Works	0.13	0.13	0.13	0.12	0.13	0.13	0.11	0.11	0.12	0.10
General Purpose Schools	1.06	1.11	1.12	1.07	1.07	1.07	0.88	0.88	0.87	0.85
General Debt Service	0.25	0.22	0.22	0.25	0.22	0.18	0.13	0.13	0.13	0.16
Total Direct Rate	2.45	2.45	2.47	2.58	2.47	2.47	2.03	2.03	2.18	2.08
Sullivan County Rates										
General	0.77	0.77	0.79	0.79	0.85	0.81	0.81	0.73	0.91	0.95
Solid Waste/Sanitation	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.04	0.06
Highway	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.07	0.07	0.09
General Purpose Schools	1.47	1.47	1.35	1.35	1.35	1.35	1.35	1.17	0.97	0.98
County Capital Project	0.10	0.10	0.09	0.09	0.09	0.09	0.09	0.08	0.08	0.08
General Debt Service	0.14	0.14	0.22	0.22	0.23	0.22	0.22	0.34	0.34	0.34
Total Direct Rate	2.58	2.58	2.55	2.55	2.62	2.57	2.57	2.41	2.41	2.50

Source: City of Johnson City Finance Department; County Budget Offices

Note: *There are no component breakdowns for the Johnson City direct tax rate.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY
PRINCIPAL PROPERTY TAXPAYERS
For the Fiscal Years Noted**

Taxpayer	2025			2016		
	Taxable Assessed		Percentage of Total Taxable Assessed	Taxable Assessed		Percentage of Total Taxable Assessed
	Value	Rank	Value	Value	Rank	Value
Glimcher Mall Johnson City LLC	\$ 24,399,840	1	0.8%	\$ 21,709,720	1	1.2%
Wal-Mart/Sams Real Estate	20,541,656	2	0.6%	20,285,340	2	1.1%
Mountain States Properties	17,244,485	3	0.5%	13,323,977	5	0.7%
American Water Heater	16,272,904	4	0.5%	18,662,406	3	1.0%
Knob Creek Apts LLC	16,175,640	5	0.5%	10,402,400	7	0.6%
Atmos Energy Corp	15,802,790	6	0.5%			0.0%
The Villas at Mockingbird Lane	13,197,920	7	0.4%			0.0%
Reserve Johnson City	11,745,480	8	0.4%	8,799,840	9	0.5%
Boone Ridge	11,694,880	9	0.4%	10,831,311	6	0.6%
UE Sub LLC	11,327,120	10	0.4%			0.0%
RAF Johnson City LLC (The Crossing)			0.0%	14,607,471	4	0.8%
Tennessee Plastics			0.0%	7,563,640	10	0.4%
Sofha Real Estate	-		0.0%	8,894,400	8	0.5%
Totals	\$ 158,402,715		4.9%	\$ 135,080,505		7.4%

Total Taxable Assessed Value:

FYE 2025 (Tax Year 2024)	3,205,538,003
FYE 2016 (Tax Year 2015)	1,833,355,814

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Tax Levy for Fiscal Year	Subsequent Adjustments to Levy	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Uncollected Delinquent Taxes
				Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
2016	34,322,563	(621)	34,321,942	33,579,748	97.84%	675,838	34,255,586	99.81%	66,356
2017	35,106,178	(217,832)	34,888,346	34,085,543	97.70%	760,322	34,845,865	99.88%	42,481
2018	35,527,100	9,963	35,537,063	34,725,926	97.72%	765,050	35,490,976	99.87%	46,087
2019	35,782,212	93,598	35,875,810	34,989,135	97.53%	819,216	35,808,351	99.81%	67,459
2020	35,946,258	(69,729)	35,876,529	35,062,834	97.73%	748,461	35,811,295	99.82%	65,234
2021	36,168,650	97,313	36,265,963	35,596,832	98.15%	608,851	36,205,683	99.83%	60,280
2022	36,807,855	146,309	36,954,164	36,181,307	97.91%	694,620	36,875,927	99.79%	78,237
2023	37,636,006	53,652	37,689,658	37,068,416	98.35%	598,227	37,666,642	99.94%	23,016
2024	43,312,741	57,183	43,369,924	42,581,006	98.18%	461,170	43,042,176	99.24%	327,748
2025	43,812,576	(15,986)	43,796,589	42,842,103	97.82%	-	42,842,103	97.82%	954,486

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Source: City of Johnson City Finance Department

Note: Receivables include liens outstanding for lot clean-up and demolition

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Leases	Subscript- ions	General Obligation Bonds	Revenue Bonds	Notes Payable			
2016	123,047,495	1,187,000	-	-	89,139,200	41,070,237	1,807,469	256,251,401	13.94%	3,909
2017	134,071,123	1,000,000	-	-	83,892,648	499,681	1,162,240	220,625,692	11.58%	3,331
2018	123,205,021	809,000	-	-	78,415,773	338,551	1,136,646	203,904,991	10.55%	3,071
2019	118,089,999	2,869,000	-	-	84,282,029	180,000	1,109,978	206,531,006	10.62%	3,093
2020	108,181,226	2,549,000	-	-	80,890,764	-	1,082,270	192,703,260	9.70%	2,880
2021	124,106,476	2,224,000	-	-	79,742,257	-	1,053,318	207,126,051	9.42%	2,915
2022	158,804,298	1,890,000	213,627	-	113,453,425	-	1,023,144	275,384,494	11.74%	3,864
2023	146,665,070	1,765,000	213,637	4,629,351	110,320,369	-	991,702	264,585,129	10.08%	3,649
2024	134,679,676	1,635,000	162,880	3,913,157	105,191,409	-	959,002	246,541,124	9.39%	3,400
2025	112,380,048	1,500,000	139,754	3,994,203	92,444,554	-	924,852	211,383,411	6.76%	2,846

Source: City of Johnson City Finance Department

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See the Schedule of Demographic and Economic Statistics for personal income and population data.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Fund (1)	Net General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2016	212,186,695	(2,138,472)	210,048,223	3.50%	3,204
2017	210,455,637	(2,409,472)	208,046,165	3.45%	3,141
2018	194,685,467	(2,591,862)	192,093,605	3.18%	2,893
2019	193,580,296	(3,178,319)	190,401,977	3.07%	2,851
2020	189,071,990	(3,970,226)	185,101,764	2.75%	2,767
2021	203,848,733	(6,136,193)	197,712,540	2.92%	2,783
2022	272,257,723	(7,696,541)	264,561,182	3.84%	3,712
2023	256,985,439	(8,032,981)	248,952,458	3.53%	3,433
2024	239,871,085	(8,986,326)	230,884,759	3.19%	3,184
2025	204,824,602	(3,758,640)	201,065,962	1.89%	2,707

Source: City of Johnson City Finance Department

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
 See the Schedule of Demographic and Economic Statistics for personal income and population data.

(1) Amount restricted for debt service principal payments

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2025**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Overlapping Debt:			
Carter County	12,830,000	2.00%	256,600
Sullivan County	239,088,486	0.04%	95,635
Washington County	<u>256,082,959</u>	62.00%	<u>158,771,435</u>
<i>Subtotal, Overlapping Debt</i>	508,001,445		159,123,670
Net Direct Debt:			
City of Johnson City	<u>129,159,228</u>	100.00%	<u>129,159,228</u>
Total Direct and Overlapping Debt	<u><u>\$ 637,160,673</u></u>		<u><u>288,282,898</u></u>

Sources: City of Johnson City Finance Department
County Governments

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Johnson City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt Limit	\$ 183,335,581	\$ 187,556,316	\$ 188,029,902	\$ 189,133,171	\$ 209,432,813	\$ 210,808,488	\$ 212,399,877	\$ 218,141,195	\$ 218,801,729	\$ 320,553,800
Total Net Debt Applicable to Limit	88,807,495	99,736,123	90,865,021	82,204,856	71,512,916	70,953,698	103,964,968	96,234,443	88,878,782	82,800,048
Legal Debt Margin	<u>\$ 94,528,086</u>	<u>\$ 87,820,193</u>	<u>\$ 97,164,881</u>	<u>\$ 106,928,315</u>	<u>\$ 137,919,897</u>	<u>\$ 139,854,790</u>	<u>\$ 108,434,909</u>	<u>\$ 121,906,752</u>	<u>\$ 129,922,947</u>	<u>\$ 237,753,752</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	48.44%	53.18%	48.32%	43.46%	34.15%	33.66%	48.95%	44.12%	40.62%	25.83%

Legal Debt Margin Calculation for Fiscal Year 2025

Total Taxable Assessed Value	3,205,538,003
Debit Limit (10% of Taxable Assessed Value)	320,553,800
Debt Applicable to Limit:	
General Obligation Debt	112,380,048
Less: Sales Tax Revenue Bonds	<u>(29,580,000)</u>
Total Net Debt Applicable to Limit	<u>82,800,048</u>
Legal Debt Margin	<u>\$ 237,753,752</u>

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Source: City of Johnson City Finance Department

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
 PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years**

Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Water and Sewer Revenue Bonds:							
2016	34,578,056	24,527,412	10,050,644	1,180,000	82,312	1,262,312	7.96
2017	35,384,686	25,206,358	10,178,328	160,000	27,425	187,425	54.31
2018	35,279,454	25,744,486	9,534,968	165,000	21,025	186,025	51.26
2019	37,120,170	25,675,151	11,445,019	175,000	14,425	189,425	60.42
2020	37,450,215	26,874,693	10,575,522	180,000	7,425	187,425	56.43
2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2024	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2025	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Johnson City Power Board Revenue Bonds:							
2016	186,860,746	175,630,596	11,230,150	2,955,000	2,023,838	4,978,838	2.26
2017	154,193,474	140,083,234	14,110,240	3,095,000	1,884,838	4,979,838	2.83
2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2024	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2025	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: City of Johnson City Finance Department

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements
 Operating Expenses do not include interest

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Census Data Year	Education Level - Population 25 Years and Over									
		Population	Personal Income	Per Capita Personal Income	Median Age	High School Graduate or Higher	Associate's Degree	Bachelor's Degree	Graduate or Professional Degree	School Enrollment	Unemployment Rate
2016	2015	65,552	1,838,078,080	28,040	36.0	89.3%	5.3%	23.1%	16.3%	7,772	5.6%
2017	2016	66,233	1,905,788,342	28,774	35.9	89.9%	5.7%	23.1%	16.4%	7,739	4.4%
2018	2017	66,391	1,932,973,965	29,115	36.4	90.8%	5.9%	23.4%	16.7%	7,762	4.2%
2019	2017 *	66,778	1,944,241,470	29,115	36.4	90.8%	5.9%	23.4%	16.7%	7,860	4.4%
2020	2018 *	66,906	1,987,576,542	29,707	35.9	90.2%	6.3%	23.6%	16.8%	8,098	8.8%
2021	2020	71,046	2,198,092,194	30,939	35.6	90.2%	7.1%	23.1%	16.8%	7,584	5.3%
2022	2021	71,278	2,345,687,702	32,909	35.6	91.0%	7.1%	21.1%	18.0%	7,616	4.0%
2023	2022	72,514	2,625,731,940	36,210	35.6	91.0%	7.2%	21.7%	18.9%	7,754	3.8%
2024	2023	74,075	3,029,074,900	40,892	34.9	91.0%	7.2%	21.7%	18.9%	7,680	3.8%
2025	2024	74,263	3,125,655,407	42,089	35.1	92.0%	20.0%	23.0%	20.0%	7,936	3.5%

Sources: U. S. Census Bureau (American Community Survey) - City of Johnson City
U. S. Department of Labor (Bureau of Labor Statistics) - City of Johnson City
Tennessee Department of Education (Report Card) - Johnson City Schools
World Population Review

*With the exception of population, personal income, school enrollment and unemployment rate, 2019 census information was unavailable.

**CITY OF JOHNSON CITY, TENNESSEE
PRINCIPAL EMPLOYERS
For the Fiscal Years Noted**

<u>Employer</u>	<u>2025</u>			<u>2016</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
East Tennessee State University	4,000	1	6.4%	2,370	2	4.2%
Ballad Health Corporation	3,300	2	5.3%	8,610	1	15.3%
Veteran Health Administration	2,896	3	4.7%	2,188	3	3.9%
Advanced Call Center Technologies, LLC	1,802	5	2.9%	1,179	6	2.1%
CITI Commerce Solution	1,847	4	3.0%	1,700	4	3.0%
Washington County Board of Education	1,307	6	2.1%	1,200	5	2.1%
Frontier Health	1,212	7	2.0%	1,016	8	2.1%
Johnson City Board of Education	1,132	9	1.8%	832	10	1.5%
A. O. Smith (American Water Heater)	1,150	8	1.9%	1,076	7	1.9%
City of Johnson City	1,080	10	1.7%	9,609	9	1.6%
	<u>19,726</u>		<u>31.8%</u>	<u>29,780</u>		<u>50.8%</u>

Total Washington County Employment:

FYE 2025	62,122
FYE 2016	58,569

Sources: First Tennessee Development District
Business Journal
Tennessee Department of Labor & Workforce Development

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government	82	83	92	93	99	99	102	107	115	126
Public Safety	305	311	311	318	315	315	316	317	305	326
Public Works	84	82	79	82	82	82	82	82	85	84
Parks, Recreation, Culture, Leisure	77	80	87	88	87	87	89	82	72	74
Other City Services	71	68	70	70	71	71	71	81	93	97
Education	985	1,025	1,071	1,077	1,086	878	1100	1132	1182	1147
Water and Sewer	165	166	169	170	174	175	178	182	187	189
Solid Waste	59	60	60	62	65	64	66	66	67	66
Storm Water Mgmt	8	8	8	8	9	9	9	9	9	9
Mass Transit	53	53	54	58	58	57	54	57	56	54
Golf Courses	9	8	7	7	7	7	8	8	8	9
	<u>1,898</u>	<u>1,944</u>	<u>2,008</u>	<u>2,031</u>	<u>2,051</u>	<u>1,844</u>	<u>2,073</u>	<u>2,123</u>	<u>2,179</u>	<u>2,181</u>

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Sources: City of Johnson City Finance Department
 Johnson City School System

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public Safety:										
Student Transportation:										
Miles	482,215	595,719	530,243	547,480	524,739	414,092 *	535,132	439,167	486,578	508,651
Passengers	1,256,119	1,254,236	1,262,300	1,232,579	925,251	537,455 *	947,242	912,257	820,011	856,544
Police:										
Physical Arrests	5,094	5,023	5,167	5,179	4,741	4,906	5,474	5,167	4,652	4,397
Parking Citations	2,154	1,624	2,114	2,784	1,142	397	491	1,070	862	810
Traffic Citations	14,017	12,575	12,236	16,477	14,432	10,270	13,504	10,100	13,078	11,201
Camera Enforcement Citations	9,604	10,551	9,972	9,625	8,914	9,567	3,413	-	-	-
Fire:										
Calls Answered	10,297	9,645	9,657	9,765	9,449	9,455	9,830	9,952	10,330	10,205
Inspections	1,568	1,916	1,478	1,040	661	742	1,193	565	540	1,551
Public Works:										
Potholes Repaired	1,202	1,080	1,069	1,282	1,035	963	545	2,410	3,487	3,122
Streets Swept (linear miles)	7,183	5,898	5,825	5,244	4,139	4,300	4,134	1,380	2,521	605
Traffic Signals Repaired/Replaced	101	75	119	88	61	107	83	218	201	269
Snow & Ice Control Treatment (lane miles)	2,730	2,356	3,715	3,920	3,021	3,332	2,234	2,971	10,880	2,970
Public Welfare:										
Parks and Recreation:										
Pool Admissions	54,333	44,592	51,889	56,154	37,426	10,644	38,798	53,670	35,496	35,658
Youth Basketball Participants	645	704	760	716	698	-	635	698	735	699
Youth Kickball	59	-	-	-	-	-	-	-	-	-
Youth Soccer Participants	2,199	2,129	1,964	2,405	1,188	1,062	2,228	2,547	1,935	1,696
Youth Softball & Tee-ball Participants	83	108	103	93	-	94	129	229	213	189
Tennis Instruction Participants	162	65	64	104	120	162	162	151	98	98
Adult Basketball Teams	22	20	21	14	15	-	14	10	10	10
Adult Softball Teams	106	116	110	94	36	70	75	79	102	79
Senior Citizens Programs/Events Attendance	149,963	178,225	201,640	196,412	144,052	18,624	80,491	94,184	101,682	108,358
City Services:										
Freedom Hall Events	45	37	62	60	41	20	43	97	58	52

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years**

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water and Sewer:										
Average Daily Consumption (Water)	16.22 mgd	16.15 mgd	15.4 mgd	15.01 mgd	14.6 mgd	14.88 mgd	15.47 mgd	15.34 mgd	15.19 mgd	16.1 mgd
Maximum Daily Capacity (Water)	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.0 mgd	28.0 mgd
Water Taps	308	372	356	338	410	500	480	517	539	613
Sewer Taps	335	517	355	333	709	640	799	354	343	446
Solid Waste:										
Refuse Collected (Tons)	90,601	91,486	96,304	103,267	100,268	101,840	108,871	150,335	113,030	110,409
Recyclables Sold (Tons)	6,281	6,009	5,406	5,553	5,072	5,277	5,310	5,430	3,533	5,077
Mulch Sold as Boiler Fuel (Tons)	6,801	8,756	11,691	7,240	5,967	-	-	46	6,023	2,000
Leaves Collected (Tons)	3,041	3,583	3,242	3,450	3,277	3,193	3,400	3,345	1,900	3,000
Golf Courses:										
18-Hole Rounds Played	35,452	33,458	29,377	24,583	9,555	32,639	36,767	39,517	39,517	43,091

Source: Various City Departments

Note: Operating Indicators are not available for the general government function.

* The numbers are down due to COVID schedule changes, hybrid and virtual classes.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public Safety:									
Student Transportation:									
Buses	57	59	58	62	58	52	50	49	49
Police:									
Stations	1	1	1	1	1	1	1	1	1
Patrol Units	188	176	187	186	183	188	202	187	191
Motorcycle Units	3	3	3	3	3	3	3	3	3
Fire:									
Stations	9	9	9	9	9	9	9	9	9
Fire Trucks/Rescue Units	31	36	35	33	39	37	37	37	40
Public Works:									
Streets (Miles)	528.89	528.89	553.2	554	555.8	557.6	548	556.5	555.5
Traffic Signals	98	98	98	99	100	104	104	104	105
Public Welfare:									
Parks and Recreation:									
Park Sites	19	19	19	19	19	19	19	24	24
Park Acreage	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,436.3
Swimming Pools	3	3	3	3	3	3	3	4	4
Therapy Pools	2	2	2	2	2	2	2	1	1
Tennis Courts	22	22	22	22	22	22	18	23	23
Pickle Ball Courts							12	12	12
Community/Recreation Centers	4	4	4	4	5	4	4	4	4
School System:									
Elementary Schools	8	8	8	8	8	8	8	8	8
Secondary Schools	3	3	3	3	3	3	4	4	3
Water and Sewer:									
Water Mains (Miles)	949	952	953	966	973	967	951	955	986.1
Fire Hydrants	3,569	3,630	3,670	3,675	3,738	3,765	3,856	3,897	3,932
Sanitary Sewers (Miles)	583	684	686	677	744	748	762	789	762.62
Manholes	13,086	13,229	13,311	13,327	13,567	13,572	13,848	13,947	14,095
Solid Waste:									
Collection Trucks	55	55	56	60	49	50	50	51	51
Golf Courses	2	2	1	1	1	1	1	1	1
Mass Transit:									
Buses/Trolleys/Vans	37	38	38	43	39	38	38	38	38

Source: Various City Departments

Note: Does not include leased property

* Virtual Academy was closed.

See Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Board of Commissioners
City of Johnson City, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the "City"), as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 31, 2025. In addition, we have audited the discretely presented component units of the City. This report does not include the results of the testing of internal control over financial reporting or compliance and other matters that are reported in those separately issued audit reports for the Johnson City Public Library, Johnson City Development Authority and Johnson City Energy Authority (dba Brightridge).

Our report includes a reference to other auditors' who audited the financial statements of City of Johnson City, Tennessee's School's Internal School Fund as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not to be prevented, or detected and corrected, on a timely basis.

City of Johnson City, Tennessee
Independent Auditors' Report on
Internal Control over Financial Reporting
and on Compliance and Other Matters

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

City of Johnson City, Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response and management's corrective action plan were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blackburn, Childers + Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 31, 2025

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and Board of Commissioners
City of Johnson City, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Johnson City, Tennessee's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2025. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

City of Johnson City, Tennessee
Independent Auditors' Report on
Compliance for Each Major Program
and on Internal Control over Compliance

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

City of Johnson City, Tennessee
Independent Auditors' Report on
Compliance for Each Major Program
and on Internal Control over Compliance

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blackburn, Childers + Steagall, PC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 31, 2025

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the "City").
2. No material weaknesses are reported. There is one significant deficiency reported relating to the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of the City, which are required to be reported in accordance with *Government Auditing Standards*, and disclosed during the audit.
4. No material weaknesses in internal control over major federal award programs are disclosed during the audit of the City.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs that are required to be disclosed in accordance with Title 2 U.S. CFR section 200.516(a) of the Uniform Guidance.
7. The programs tested as major programs were as follows:

<u>Program</u>	<u>Federal Assistance Number</u>
Title I/Title I-D	84.010
Title II, Part A	84.367A
COVID 19 – Coronavirus State and Local Fiscal Recovery Funds	21.027
Federal Transit Cluster	20.507

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City was determined to not be a low-risk auditee.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Fiscal Year Findings

2025-001: Significant Deficiency – Water and Sewer Inventory

- **Criteria:** All inventory items should be properly reported in both quantity and value in the general ledger and reconciled to the detail inventory ledger at year end. Inventory amounts should be properly supported.
- **Condition:** During the audit, it was noted that the detail inventory report for the Water and Sewer Fund could not be reconciled to the balances reported in the general ledger.
- **Cause:** Changes within the inventory tracking software calculates the items cost incorrectly, which is valuing the items based on historical average cost rather than current cost.
- **Effect:** The supporting inventory detail report was significantly less than the amounts reported in the general ledger.
- **Recommendation:** We recommend that the finance department implement a process to ensure that accurate information is input and exported from the inventory system and the general ledger regarding inventory tracking.
- **City of Johnson City, Tennessee Management's Response:** Management acknowledges the auditor's finding related to the inventory maintained by the water and sewer fund. Management concurs that accurate costing within the City's inventory management system is necessary to ensure proper financial reporting. City staff is currently working with external consultants to reconfigure the ERP inventory module so that inventory item costs are calculated using current cost rather than historical average.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

CITY OF JOHNSON CITY, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2025

Financial Statement Findings

Original Finding Number	Prior Fiscal Year Finding Number	Finding Title	Status / Current Fiscal Year Finding Number
2024-001	2024-001	Significant Deficiency - Signature Stamps	Corrected

Federal Award Findings and Questioned Costs

None Reported.



Finance Department
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Johnson City, TN 37605-2150
423.434.6000 | JohnsonCityTN.org

December 31, 2025

Blackburn, Childers & Steagall, PLC
P. O. Box 3745
Johnson City, Tennessee 37602

RE: Management's Corrective Action Plan June 30, 2025

Name of Contact Person

Stephanie Laos, Finance Director

Signature: _____

A handwritten signature in black ink that reads 'Stephanie Laos' is written over a horizontal line.

2025-001: Water and Sewer Inventory

The City implemented a new accounting software system in 2022 that included an inventory tracking module. Management has identified configuration issues within the module that result in inventory costs being calculated using historical averages rather than current cost. Finance staff is working with external consultants to correct the system setup and improve the accuracy of inventory costing and related reporting.

Anticipated Completion Date

February 28, 2026

